ICCTA *ACTION ALERT*

April 28, 2006

The Illinois House of Representatives conducted business on Tuesday and Wednesday and adjourned Wednesday afternoon, while the Senate cancelled session this past week. Both houses are scheduled to return to Springfield on Tuesday, May 2.

FISCAL YEAR 2007 BUDGET

Recent budget negotiations involving Democrat leaders and the Governor continued through Wednesday afternoon. Many observers believe that negotiators are inching closer to a budget deal that could come soon. There are indications that the Governor's tuition tax credit proposal for higher education students has been a discussion item, as well as other more minor issues. Budget negotiators are not predicting when a budget deal will be reached and therefore cannot say when the session will adjourn for the year.

PENSION LEGISLATION

During the past week, House Speaker Michael Madigan has convened meetings to seek solutions for retirement issues generated from the unintended consequences of last year's pension "reform" legislation (Senate Bill 27). Currently, a tentative agreement has been reached (in the form of a proposed amendment to House Bill 1813) that would provide exceptions to stringent earnings limitations. It is possible that House Bill 1813 may be called for a vote in the House next week and would then move to the Senate for final consideration.

The pension legislation that was enacted last year created a 6% limitation on earnings increases that a participant in the State Universities Retirement system can receive during his / her final four years of employment. Salary increases above the 6% limitation are allowable, but the employer must pay the actuarial retirement impact if the increases occur during an employee's final four years of employment. Currently there are no exceptions to the 6% provision. Newly proposed legislation would adequately solve most of the issues identified by the higher education community following the passage of SB 27 last year. ICCTA views the current law as a personnel management issue that requires resolution.

Most exceptions to the 6% limitation embodied in the proposed amendment to HB 1813 apply to non-administrative positions at community colleges and universities. There are few exceptions included in the proposed legislation for administrative positions or persons moving into administration positions.

The following is a brief overview of the exemptions and changes to the current law that are currently proposed in HB 1813, which could be considered within the next few weeks. Vacation and sick leave issues were addressed earlier this year by SURS rulemaking and are no longer included as earnings. Nor are they subject to the 6% limitation. This applies to all employees, including administration positions.

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Proposed Amendment to House Bill 1813

- **Part-time faculty moving to full-time faculty** are exempt.

- **Part-time faculty earnings increases** are exempt if the employee does not make more than he/she would have with the full-time employment.

- **Overload or overtime** is exempt when the employer certifies to SURS and SURS certifies that: (I) in the case of overloads (A) the overload work is for the sole purpose of academic instruction occurring during the academic year that the overload is paid; and (B) the earnings increases are equal to or less than the rate of pay for academic instruction computed using the participant's current salary rate and work schedule; and (ii) in the case of overtime, the overtime was necessary for the educational mission.

- **Summer school** loads would be treated in a similar way to overload.

- **Promotions for State Universities Civil Service System classifications and community college equivalent classifications** are exempt for: (i) a promotion for which the employee moves from one classification to a higher classification under the State Universities Civil Service System or (ii) a promotion in academic rank for a tenured or tenure-track faculty position; or (iii) a promotion that the Illinois Community College Board has approved for positions that have close similarities to positions recognized by the State University Civil Service System. These earnings increases shall be excluded only if the promotion is to a position that has existed and been filled by a member for no less than one complete academic year and the earnings increase as a result of the promotion is an increase that results in an amount no greater than the average salary paid for other similar positions.

- **Contracts and Collective bargaining agreements - Sunsetting dates** - excludes any salary increase given on or after July 1, 2011 but before July 1, 2014 under a contract or collective bargaining agreement entered into, amended, or renewed on or after June 1, 2005 but before July 1, 2011. Notwithstanding any other provision of this Section, any payments made or salary increases given after June 30, 2014, shall be used in assessing payment for any amount due.

- **Appeals** - Current law gives employers 30 days from the receipt of charges incurred for salary increases greater than 6%. An appeals process for employers may be established that could extend the payment to 90 days depending on the outcome of the appeal. Districts will have up to three years to pay the final bill, but after 90 days interest will be charged at the rate equal to the System's annual actuarially assumed rate of return on investments compounded annually.

- **Ten-year Limit** - Employers will not be liable for any salary increases given to employees who are 10 or more years from retirement eligibility.

- **Grants and Stipends** - Any grants or stipends that come from the state (i.e., N.B.P.T.S.) over which the employer has no control are exempt from the cap.

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