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COURT DELAYS EFFECTIVE DATE OF PENSION REFORM LAW

The Circuit Court of Sangamon County issued a temporary restraining order and preliminary injunction on Wednesday, May 15, that delays the effective date of the Pension Reform Law until underlying litigation contesting the validity of the law is decided. The Law was scheduled to take effect on June 1, 2014.

Two immediate questions raised by the Court's action concern the grandfathering of employment contracts for TRS earnings limitation purposes, and the payment of required annual employee contributions.

School districts and joint agreements that were considering entering into new employment agreements with their administrators or staff for purposes of establishing higher TRS creditable earnings limitations for those employees should proceed with their plans. This is because any action to dissolve the temporary restraining order or injunction, or any final decision to uphold the Pension Reform Law in its current form, could result in the Law being enforced retroactively to June 1, 2014. If so, this would subject Tier I TRS members to a creditable earnings limitation based on the current Tier II member limitation for their earnings during the 2013-2014 school year. Entering into employment contracts that would go into effect prior to June 1 which establish a higher earnings limitation effectively addresses this possibility.

With respect to the payment of annual required employee contributions for Tier I members, an announcement on the home page of TRS' website today states that the Court's order "means that after June 1, 2014 and until further notice, current Illinois law will govern the calculation of TRS pensions and cost-of-living adjustments as well as the administration of all benefits." School districts and joint agreements should therefore continue paying the required contributions for Tier I members at the now-current rate of 9.4% of their creditable earnings. For Tier II members, required contributions were set at 9.4% of their creditable earnings under both current law and the Pension Reform Law, so no change in the payment of their contributions will be required.

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