

TOPICS & REPORT

Teachers' Retirement System of the State of Illinois
Spring 2011



TRS Members Crucial in Debate over Pensions

A Message from Executive Director Dick Ingram

Since joining Teachers' Retirement System in late January, I have been impressed not only with the dedication my colleagues at TRS show in serving you, but also with the interest and passion so many of our members are exhibiting during a critical time for public retirement systems.

TRS is the largest public pension system in Illinois and the 39th largest pension system in the United States. The \$4.1 billion in member benefits that TRS expects to pay out during the current fiscal year is one of the largest "payrolls" in the state. And contrary to a popular misconception, TRS benefits do not disappear down a black hole. Benefits recirculate again and again throughout Illinois. In 2010, benefits produced a \$4 billion economic stimulus for Illinois. A retired TRS member depends almost exclusively on this pension to maintain an active lifestyle and the dignity and comfort of a well-earned retirement.

That is why the current debate over the future of public pension systems is so important, and why the debate has generated such passion. TRS pensions are vital to our 372,000 members. The interest our members are showing in regard to proposed changes in the state's pension code are making a difference. You are helping legislators and other policy makers better understand the effect their decisions may have. Your voices are crucial in this ongoing debate.

TRS, by its nature, typically cannot take the lead in advocating for changes in public policy. But what we will do is provide our members, as well as legislators and the general public, with facts, figures and unbiased analysis that can help everyone cut through the misinformation and hyperbole that is feeding doubt and concern across Illinois. Our goal is to be an honest broker of information – both the good news and the difficult – as the debate continues.

Please visit our Web site, <http://trs.illinois.gov>, for the latest information concerning the progress of legislation, as well as easy-to-understand explanations of the issues and proposals pending before the General Assembly. Our mission is to safeguard the security of your benefits through a staff committed to integrity and transparency and to support members who are engaged in influencing the future direction of TRS. We are proud to have the privilege of serving you.

Best wishes,

Dick Ingram

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TRS Finances Steadily Improve; Pensions are Not in Danger

Teachers' Retirement System pensions are safe well into the future. Investment gains during the first eight months of the current fiscal year have driven the total assets held by TRS to \$35.1 billion at the end of February, a 10.8 percent increase since the beginning of the year.

During the first six months of the fiscal year, which began on July 1, 2010, the rate of return on TRS investments was 15.8 percent, and that beat a target rate of return of 8.5 percent. TRS assets during this period increased by \$3.2 billion.

In addition, TRS received in March its full statutory contribution from state government for fiscal year 2011 - more than \$2 billion that halted the sale of assets to fund benefit payments.

The state contribution for fiscal year 2011 was generated by the recent sale of \$3.7 billion in bonds by state government. Of the total bond proceeds raised for all state-operated pension systems, the total state contribution to TRS for the fiscal year is \$2,170,918,488, which covers the amount required for fiscal year 2011 under the state funding law.

"The annual contribution from the state is very important to our members and to the fiscal health of TRS," said **TRS Executive Director Dick Ingram**. "The System will not have to sell any existing assets this fiscal year in order to fund benefit payments. The contribution pays our members back for most of the assets that the System had to sell since July in order to generate cash for pensions and benefits."

Between July and the end of January, TRS sold \$2.368 billion worth of investment assets to generate the cash needed for pensions and benefits. While TRS



has sold more than \$1 billion in assets in each of the last six years to meet cash flow needs, the fiscal year 2011 total was higher than normal due to the amount of time between the start of the fiscal year and the receipt of the state contribution.

This good news has not stopped speculation in the media about the stability of TRS finances. However, any dialogue about TRS and other public pension systems being "underfunded" is misleading because it refers only to the retirement system's long-term "unfunded liability." That liability is the part of the System's total liability that currently is not covered by assets.

TRS currently has total liabilities of \$77 billion and an unfunded liability of \$39.8 billion. While the media frets about the unfunded liability, the total amount is not due all at once.

The TRS liability is composed of what the System owes all retired teachers now and a prediction of what will be owed to all active teachers who are not yet eligible to collect their benefits. Only a small portion of the total liability must be paid in any one year. In 2010, the benefits distributed by TRS totaled \$3.9 billion, but the System's revenue totaled \$6.8 billion.

The unfunded liability is a concern for the state because the higher that number gets, the higher the state's annual contribution to TRS and the other pension funds must be. That puts a strain on the state's ability to pay for other programs and services.

The bottom line is that TRS has always carried an unfunded liability and has never missed a pension check. Pensions will be safe for a long time into the future.



Legislation Pending to Extend Post-Retirement Work Limits

Legislation is pending in the Illinois General Assembly that would extend the current post-retirement employment limitations for retired Tier I members until 2021. Two measures being debated are Senate Bill 2279 and House Bill 1072.

Currently, if a Tier I member is retired, he or she may work in a position requiring certification for 120 days or 600 hours per year and not lose TRS benefits. **These limits are set to expire on June 30, 2011. The limits will revert to 100 days or 500 hours unless the current cap is extended by law.**

In the past, several annuitants have exceeded the post-retirement limitations and have had their pensions **suspended or terminated**. Here are the rules:

Keeping Track

You, as the retired teacher, are responsible during each school year for keeping track of the hours worked.

Defining “Days” and “Hours”

The Illinois Pension Code defines “one day” as five or more hours of work. Each full “day” is counted toward the 120-day limit. If you work all partial days or a combination of full and partial days, the time worked is applied to the 600-hour cap.

Summer school teaching counts toward the 120-day/600-hour annual limitation.

Non-TRS Employment

There is no limitation on employment for retired TRS members with

any college, university, private school, out-of-state public school district or with Chicago Public Schools. A school district also may employ a retired TRS member full time in a position not covered by TRS.

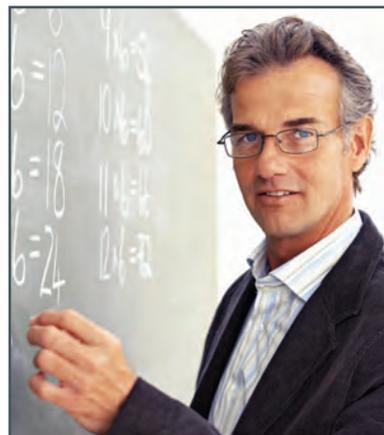
Same School Year Limitation

If you are retired and return to a TRS-covered position in the same school year that you last contributed to TRS, your retirement annuity will be cancelled and you will be required to repay all annuity payments. The school year officially ends on June 30. If your last day of work is May 25, you cannot return to a TRS-covered position until July 1 of that year.

If you exceed the limitations during the first year following retirement, your retirement annuity will be cancelled and you will be required to repay all annuity payments. Contributions will be required on earnings for the entire period of employment. If you received Teachers’ Retirement Insurance Plan (TRIP) benefits, your coverage will be cancelled retroactively and you may be required to pay for uncovered medical costs.

Employment in Subsequent School Years

Following the school year in which you last contributed to TRS, you may be employed in a TRS-covered



position for up to 120-paid days or 600-paid hours per school year and still receive a retirement annuity. All time that you are required to be present for duties requiring teacher certification is subject to the limitation.

If you have to wait to attain a certain birthday in order to retire, you cannot return to a TRS-covered position until the day following your retirement date – your birthday. For example, if your last day of work is June 30, but you turn 55 on Sept. 20, your retirement annuity commences on Sept. 20. If you return to a TRS-covered position (full-time, part-time, substitute) prior to your retirement date, you are considered an active member. Contributions to TRS will be withheld and you could impair your ability to retire using the Early Retirement Option. To avoid any consequences, you should not return to a TRS-covered position until Sept. 21.

If you exceed the limits in subsequent years, your annuity will be suspended and you will be returned to “active member” status. You will start making TRS contributions for the salary earned after the limitation was exceeded. You will have to repay any annuity received after the limitation of 120 days or 600 hours was exceeded. Your TRIP coverage also ceases.



TRS Members Closely Follow Proposed Pension Changes

As the debate over changes in the Illinois Pension Code continues in the General Assembly, TRS members are closely following the progress of various proposals that may change their retirement plans.

As an agency of the state, TRS does not take the lead in advocating for or against any proposals before legislators. Policy decisions are made by the General Assembly and TRS administers the retirement system for members and the state.

The best way to follow the status of legislation before the House and the Senate is to check regularly at <http://trs.illinois.gov> for updates and explanations of major proposals.

Here are the major proposals before the General Assembly this spring:

Three-tier retirement system

This proposal would end the current benefit structure for active teachers on July 1, 2012 and give all TRS members three options for benefits that would begin on that date. The legislation allows teachers to accumulate benefits from the existing benefit structure up through June 30, 2012. Teachers would have until December 31, 2011 to choose a new benefit structure from three choices. The options are:

1. Keep the current TRS benefit package, either Tier I or Tier II, but the annual payroll contribution by teachers in both tiers would increase, perhaps to as much as 28 percent of their salaries.



2. Tier I teachers could elect to convert their benefit packages to the Tier II structure, meaning a teacher would not be eligible for full retirement benefits until age 67. It is estimated that Tier II benefits will be 30 percent less than benefits for a Tier I teacher at age 67 if earnings and service credit for both are equal.
3. A new Tier III option – a 401(k)-style defined contribution benefit plan. Teachers would pay 6 percent of their salaries under this plan. If school districts decide to participate in this option, they would match teacher contributions.

Cap salary amount used in calculating a pension

This bill places a cap of \$106,800 on the amount of a TRS member's salary that can be used annually in the calculation of a TRS pension. The cap will be tied to inflation and will be changed annually. Under this bill, for a TRS member earning

\$110,000 annually, the employing school district would report only \$106,800 to TRS for that year and that amount would be the one used in the pension calculation, if applicable.

Optional 401(k)-style Supplemental Retirement Plan

This bill gives TRS and the other state pension funds the authority to establish optional "alternative" pension plans, such as defined contribution plans similar to 401(k) plans. Teachers and other public employees would decide whether to participate in the plan. Any alternative pension plan would exist side-by-side with the current TRS defined benefit pension plan. The State Universities Retirement System of Illinois already operates an "alternative" plan.

School Districts Pay a Greater Share of Teacher Pensions

This proposal would require all school districts outside of the city of Chicago to pay a greater share of the cost of pensions for TRS members. Currently active teachers, school districts and state government all contribute to TRS, and those contributions are supplemented by TRS investment income. The proposal would not affect teacher contributions, but would require school districts to pay a greater share of the pension cost due this year, relieving the state from paying current costs.

Legislative Update
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Legislative Update *Continued from page 4*

The state would be responsible only for the prior cost of TRS pensions.

Extending 6% Salary Increase Threshold

This bill extends the current exemptions authorized for the 6 percent threshold on TRS member salary increases until 2016.

Unless extended by the General Assembly, the exemptions will expire on July 1, 2011. Under current law, for any salary increase granted to a TRS member that is greater than 6 percent, the employing school district must reimburse TRS for the added cost of future pension payments calculated for

the salary amount above the 6 percent threshold. The exemptions include salary increases for summer school duty, promotions to different certifications, class overload and salary payments over which a school district has no discretion.

Trustee Candidates Elected by Acclamation

Veteran TRS trustees **Sharon Leggett** of Evanston, **Cinda Klickna** of Rochester, and **Cynthia O'Neill** of Carlyle, will continue to serve until July 2015 as trustees selected by the membership. The women were selected by acclamation when no other candidates filed nominating petitions during November 2010 through January 2011.



Sharon Leggett



Cinda Klickna



Cynthia O'Neill

Additional congratulations to Ms. Klickna who was elected president of the Illinois Education Association (IEA) in March. She formerly held the position of the IEA secretary-treasurer.

Board of Trustee Meetings Scheduled

All meetings will be held at the TRS office in Springfield and are subject to change. The **May 18-20** and **June 23-24** meetings are tentatively scheduled to begin at 1 p.m. on Wednesday and continue until Friday, if necessary. Board actions are located on our Web site, <http://trs.illinois.gov>.

Scheduling Counseling Appointments Saves Time

This summer, many of you will come to our offices for information. Scheduling an appointment in advance is the best way to save time. It also allows your counselor to promptly meet your needs by reviewing your record in advance and preparing any information you requested during your visit.

For the first time, our Springfield office will have a walk-in counselor available for members. Walk-in visitors will be counseled when the walk-in counselor becomes available. The waiting time will vary according to the number of walk-ins each day.



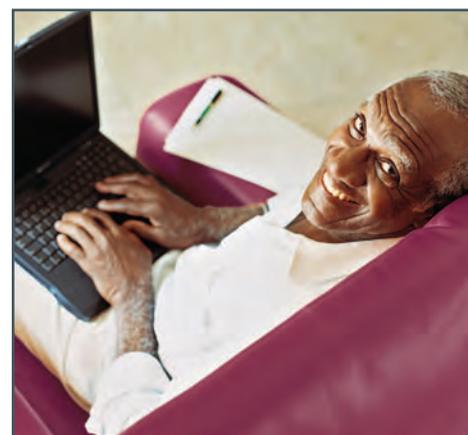


10 Retirement Process Steps for Eligible Tier I Members

1. Start the process by completing the Personalized Retirement Interview (PRI) either online under Member Account Access at <http://trs.illinois.gov> or by calling (800) 877-7896.
2. After completing your PRI, you'll receive the following prefilled forms in three to four weeks:
 - Retirement Application
 - Teachers' Health Insurance Program (TRIP) enrollment form (*Due no more than 30 days after retirement date.*)
 - Direct Deposit form
 - Supplementary Report (*Completed by your employer after your last day of work.*)
 - Sick Leave Certification form (*Your employer must also complete this.*)
3. Provide your email address within the secure Member Account Access area to receive

messages about the status of your retirement application (*optional*).

4. You may want to speak to a tax advisor about how much should be withheld from your retirement check for taxes on your W-4P. You may need to change your withholding information from when you were employed to make sure you have withheld enough.
5. Any optional service balances must be paid prior to retirement, with the exception of pregnancy or adoption leaves.
6. Any 2.2 Upgrade balance must be resolved.
7. We must receive your ERO payment (if applicable), Supplementary Report, and Sick Leave Certification before your pension benefits may begin.
8. When your pension benefits have been determined, you will receive a letter indicating the gross amount of your



first annuity check, the gross amount of your following monthly checks, and the date that your first check will arrive.

9. Your first check will arrive approximately 90 days after all forms and necessary payments have been received.
10. Enjoy your retirement!

If you have any questions or concerns, please call our Member Services Department at (800) 877-7896 or send an email to members@trs.illinois.gov.

Out-of-State Service Cannot be Duplicated

If you have teaching service in another state and elect to use that service toward your TRS retirement benefit, be aware that Illinois law does not permit you to receive a benefit for that service from both TRS and the other state pension fund.

TRS will allow you to purchase service from another state prior to acceptance of a refund from that state. However, we will confirm at retirement that you have taken a refund and are ineligible for a benefit from that state's service. If this has not occurred, we will remove the service from your TRS account and return your payments without interest. Removal of the service may make you ineligible for a benefit from TRS.

Status of ERO

The current Early Retirement Option (ERO) does not have an expiration date. However, the law requires the TRS actuaries to consider the sufficiency of the employer and member contributions for ERO. There is a specific process that will begin in 2012 for these reviews. If the proposed rates are not acceptable to the General Assembly, the ERO provision will be terminated on June 30, 2013.



Member Account Access Benefit Estimate PDF Viewing Problems

Springtime brings many members to our secure area online to seek a personalized benefit estimate for retirement planning. As convenient as this online information is, it can be frustrating if a teacher cannot view her/his information as expected.

Benefit estimates are provided as PDF files. If a member cannot view an estimate, we ask the member to check two things:

1. Ensure that “pop ups” are allowed on your Web browser. The PDF file is perceived as a pop up by your computer.
2. Check that you have the most recent version of Adobe Acrobat Reader installed on your computer. If you do not have Acrobat Reader or a current version, the download is free: <http://www.adobe.com/products/acrobat/readstep2.html>.



If the file still cannot be viewed after trying these solutions, it is likely a Web browser issue. Open Adobe Acrobat Reader, click “Edit,” “Preference,” then select “Internet” in the left column, check “Display PDF in browser” in the Web Browser Options box. Once this change has been completed, the PDF can be opened.

TRIP Info Continues “Green” Efforts for Benefit Choice Period

The annual Benefit Choice Period for Teachers’ Retirement Insurance Program (TRIP) participants is planned May 1 through May 31, 2011. TRS will post any updates about Benefit Choice on our Web site.

TRS does not administer TRIP. However, TRS provides members with basic coverage information, enrolls members in the program, and collects appropriate premiums. By law, the Department of Central Management Services (CMS) is the administrator that determines coverage benefits, establishes premiums, negotiates contracts with the insurance carriers, and resolves coverage and claim issues.

Benefit Choice is the time to make changes in TRIP coverage and to enroll yourself and eligible dependents if you have never previously been enrolled. CMS usually mails information about the Benefit Choice



Period to retirees currently enrolled in TRIP at the end of April. As part of the state’s continuing “Going Green” efforts, the full Benefits Choice booklet will only be available at: www.benefitschoice.il.gov.

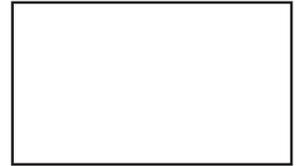
In order to conserve resources and to be fiscally responsible, the CMS mailing will include an insert with an explanation of health insurance options for the coming year and changes in coverage benefits.

If you already are enrolled in TRIP and wish to make a change in coverage, please call TRS in May for a new Benefit Choice form at (800) 877-7896. The Benefit Choice form will only be provided upon request. If you are enrolling yourself or an eligible dependent for the first time during the Benefit Choice Period, please contact TRS for a TRIP enrollment application.



Teachers' Retirement System of the State of Illinois

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Go Green!

To receive this newsletter electronically, send us an email at members@trs.illinois.gov. Include your full name, zip code, the last four digits of your Social Security number, and your email address.

Office Information

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4200 Commerce Court, Suite 100
Lisle, IL 60532-3611

Phone

Toll Free: (800) 877-7896

Forms Order Line: (800) 877-7896,
press "2" when prompted

Web site

<http://trs.illinois.gov>

Address changes

To ensure that all information about your benefits reaches you, please notify us each time your mailing address changes. You may call us or send us the following information in writing:

- your name and Social Security number
- new street address, city, state, and ZIP
- former street address, city, state, and ZIP
- daytime telephone number.

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