

TOPICS & REPORT

Teachers' Retirement System of the State of Illinois
Summer 2011



A Message from Executive Director Dick Ingram



We felt your pain.

For many of you enrolled in the Teachers' Retirement Insurance Program (TRIP), May and June

were inordinately stressful and frustrating because of unresolved issues regarding the health insurance options available.

At various times during the last weeks in June, all of us at TRS were at least, if not more, frustrated as you over developments that we could not control for approximately 60,000 of our members enrolled in TRIP. Those events impacted our own health care choices, as well as yours.

TRS was not responsible for this confusion. We do not administer TRIP. Our role is limited to signing up members and collecting premiums. Unfortunately, many times the

"Our small, but devoted staff worked after regular business hours for days and literally handled thousands of telephone calls and email messages on a daily basis."

situation literally changed from hour to hour and we were forced to reverse instructions that we had issued earlier in the same day.

To those of you who tried reaching our Member Services Division only to be met with the voicemail system or a busy signal, we apologize for adding to your anxiety. We have 46 toll-free phone lines and thousands of members were calling us for help. Our small, but devoted staff worked after regular business hours and literally handled thousands of telephone calls and email messages on a daily basis. They met with hundreds of members who came by our offices when they could not get through to us any other way. To the best of our ability, we answered every call or message.

I am deeply grateful to the TRS staff for stepping up to the plate when our members needed them most. In the face of a rapidly changing situation, their dedication helped guide many who were unsure about the future. Your best interest is their first concern.

TRS cannot predict what insurance changes will happen in September. I urge you to monitor our Web site, <http://trs.illinois.gov>, over the next

several months for the latest information regarding the status of TRIP.

Our goal – now and in the future – is to make sure the wishes of our members regarding their insurance are carried out to the fullest extent possible. We are doing all that we can to make the best of what is a challenging situation.

I also would like to recognize that an extraordinary grass-roots lobbying effort by TRS members was one of the main reasons why further action on a proposed restructuring of educators' pensions was suspended. The next opportunity for action on the proposal, Senate Bill 512, will be this fall.

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Teachers took the lead in opposing the bill through a constant stream of approximately 80,000 telephone calls and emails to legislators. The bill would create a three-tier retirement plan for active TRS members and either increase member contributions or reduce retirement benefits.

And while teachers were busy letting their legislators know how they felt about Senate Bill 512, TRS was far from a bystander. TRS did not "advocate" for or against the legislation, but we did weigh in to

identify how the bill may affect the operations of TRS or the benefits to which you are entitled.

TRS raised a number of questions. For instance, we found that one major provision – tying the level of future state government contributions for TRS to a set percentage of annual state revenues – may not meet the retirement system's funding needs. Second, TRS voiced concerns that we did not have a complete analysis of how much this complicated bill would cost individual members, school districts and

state government. Many legislators joined us in these concerns.

As the summer progresses, TRS will continue to work cooperatively with the General Assembly as an honest broker of information, data and analysis.

Have a great summer!

Best wishes,



Dick Ingram

Scheduling in Progress for 2011 TRS Fall Member Meetings



TRS will host statewide meetings from September to November that are designed to explain the retirement process and to provide you with information about disability, death and insurance benefits. At press time, locations and dates were not yet confirmed for the fall with school districts and regional offices of education. Please check our Web site in mid-August for confirmed sites.

An email alert is planned for all members who are close to retirement when the meeting schedule is finalized. If you would like to be informed of this schedule via email and we do not already have your email address, you can log on to our secure Member Account Access area online, <http://trs.illinois.gov>,

and add your email address to your record. Or, you may send an email to members@trs.illinois.gov; type your full name, zip code, the last four digits of your Social Security number, and your email address. Please put "Email Alerts" in the subject line. After TRS staff adds your email address to your member record, you will begin receiving email alerts when applicable to you. Additionally, you will be part of our "Going Green" membership of 100,000 receiving information rapidly, like this newsletter, without printing and mailing costs.

Do We Have Your Email Address?

During the recent insurance changes in June, we kept 20,000 TRIP members up-to-date regarding changes through numerous email alerts. To add your email address to your record, follow the steps in the above Fall Member Meeting article.



Insurance Carrier Switch Creates Confusion; Jams TRS Phones

The TRS Members Services Division was inundated during May and June with thousands of telephone calls, emails and one-on-one visits from TRS members seeking answers about the state's decision to replace two popular health insurance options in the Teachers' Retirement Insurance Program.

Since then, the confusing situation has been partially resolved – at least through the end of September. While a lawsuit over the matter winds its way through the courts, approximately 60,000 TRIP members will continue to receive coverage through most of the existing state health insurance plans until Sept. 28. In June, the state Department of Central Management Services signed 90-day contracts to provide coverage through eight different plans beginning on July 1.

The plans available currently are: HMO Illinois, BlueAdvantage HMO, Teachers' Choice Health Plan (administered by CIGNA), HealthLink Open Access Plan, Health Alliance HMO, Health Alliance Illinois, PersonalCare HMO and PersonalCare OAP.

It is expected that unless the lawsuit is resolved before September, the state will seek to extend the existing 90-day contracts so TRIP members can continue with their chosen insurance plans through the end of 2011.

The state was unable to reach a 90-day contract agreement with Humana Health Plans, so TRIP members who had been enrolled in the Humana Health Plan had to select a



To expedite hundreds of walk-in appointments in June, a benefits counselor assisted retirees in the TRS Springfield office lobby with insurance concerns and forms.

Insurance feedback

“...I know that your agency bears the brunt of the emotion, anger, and confusion that the TRS membership is feeling. I also know that you are helpless to solve many of our problems, and that each day has probably been pretty rough for all of you. Thank you for what you have done to help our membership cope with this ordeal. We DO appreciate you!...”

~ **Sandy Roseman, Bloomington**

“This has been a wild time for TRS as well as for those who benefit from services. TRS and the gang in Member Services have been very helpful and polite... giving the best information they have at the time and assisting throughout the process.”

~ **William E. Hitchings, Bettendorf, IA**

“I, for one, appreciate the work that all of you at TRS have done for us in the past, but especially the last few weeks!”

~ **Toni Redlingshafer, Mapleton**

new option. Humana coverage ended on June 30.

You should keep in mind that TRS does not administer TRIP and does not have any authority over which health insurance providers are offered to members.

The situation stems from a months-long dispute over which companies should be awarded 10-year contracts to provide TRIP members and state employees with health insurance. Following a seven-month bidding process, the state awarded two new insurance carriers contracts in April, rejecting two companies that had provided insurance to TRIP members for 10 years. In May, a legislative commission voted to stop the new contracts because the two losing bidders objected. The losing bidders also filed suit to stop the new insurance contracts.

Members quickly became confused because insurance options were in a state of flux and deadlines and procedures continually changed as the situation developed. Members said there was not enough time to make an informed choice.

A severe backlog of phone messages and emails at TRS lasted for weeks as members sought answers. Staff worked after regular business hours to stay current with the volume of member requests. And, thousands of insurance form changes were organized and entered into the system.

Please visit our Web site for any updates since this printing: <http://trs.illinois.gov>.

Post-Retirement Limits Reduced; Proposed Pension Changes Spark Intense Debate in Legislature

The Illinois General Assembly adjourned its spring legislative session at the end of May without taking action on any of the major proposals that would alter the way pensions are funded or reduce the benefits being earned by active teachers.

But in *not taking action*, the legislature managed to make two significant changes in the state's pension code – reducing the amount of time a TRS annuitant may serve in a TRS-covered position and not extending exemptions to the state law that assesses school districts costs if a

TRS member's salary is raised by more than 6 percent in any years used in a final average salary calculation.

Post-retirement limitations

Senate Bill 2279 would have extended the 10-year-old post-retirement employment limitations for retired Tier I TRS members until 2021. The measure passed the Senate, but stalled in the House of Representatives. The original law that extended the work limitations back in 2001 contained a “sunset” provision that automatically reduced the post-retirement employment limitations in 2011 unless it was extended by lawmakers. The employment limitations rolled back on July 1, 2011.

Beginning in July, a retired Tier I member may work in a TRS-covered position for 100-paid days or 500-paid hours each year and not lose benefits. The previous limit, which expired at the end of June, was 120-paid days or 600-paid hours per year. Only work that requires teacher certification, including summer-school and substitute teaching, is subject to the 100 days/500 hours post-retirement employment limitation.

If the limit is exceeded after the Tier I member is retired for one complete school year, the annuity benefit will be suspended, Teachers' Retirement Insurance Program coverage will be cancelled, and he/she will re-enter



active membership. The employer must also remit TRS contributions on all creditable earnings after the employment limitations are exceeded.

A Tier I annuitant is required to repay all annuity payments from the date of retirement if teaching is resumed in the same school year in which the annuitant last contributed or if the annuitant exceeds post-retirement limitations in the first school year following retirement.

6 percent salary increase exemptions

Under current law, for any salary increase granted to a TRS member that is greater than 6 percent in a member's final average salary years, the employing school district must reimburse TRS for the added cost of future pension payments calculated for the salary amount above the threshold.

The legislature did not reauthorize four temporary exemptions to the law that creates a 6 percent “threshold” on salary increases. This measure, Senate Bill 2187, would have extended the current exemptions until 2016. The temporary exemptions expired on July 1 because the bill was not approved. The expired temporary exemptions to the law include salary increases greater than 6 percent for summer-school teaching, promotions, class overload and payments over which the employer does not have discretion.

Extended grandfathering provision exemptions are still available if the affected member's employment is covered by a collective bargaining agreement (CBA) or an individual contract entered into before July 1, 2011. These exemptions remain available to the employer through the CBA/contract ending date or June 30, 2014, whichever occurs first.

Legislative Update Continued on page 5

Other debated pension legislation

Three-tier retirement system for all active members

This proposal, Senate Bill 512, would end the current benefit structure for active teachers on July 1, 2012 and require TRS members to choose one of three options for benefits that would begin on that date. The bill is being held on the House floor and no action is expected before October. The bill's sponsors plan on convening meetings with TRS officials, organized labor and public policy groups during the summer months to discuss the next steps for this concept. The legislation allows teachers to accumulate benefits from the existing benefit structure up through June 30, 2012. Teachers would have to choose a new benefit structure before the end of June. The options, as currently detailed in the bill, are:

- Keep the current TRS Tier I benefit package, but the annual payroll contribution by teachers would increase to 13.77 percent per year for three years, and then go higher.
- Tier I teachers could elect to participate in Tier II, 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 if final average salary and creditable service time for both are equal. Teachers would pay at least 6 percent of their salaries under this option.
- A new Tier III option – a 401(k)-style defined contribution plan. Teachers would pay 6 percent of their salaries under this plan. The state would also pay 6 percent. If school districts decide to participate in this option, they would match teacher contributions.

Cap on member's salary used in pension calculation

House Bill 146 would place a cap of \$106,800 on the amount of a TRS member's salary that can be used annually in the final calculation of a TRS pension. The bill lacked the necessary support and is being held in a House committee. The cap would be tied to inflation and 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 final pension calculation, if applicable.

Creating an optional 401(k)-style retirement plan

This proposal, House Bill 1325, would give 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. The bill lacked the necessary support and is being held in a House committee. 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 already operates an "alternative" plan.

Requiring districts to pay greater share of pensions

This proposal never moved beyond preliminary discussions. The idea is to require all school districts outside of the city of Chicago to pay a greater share of the current cost of pensions for TRS members. Currently active teachers, school districts and state government split the cost of what is owed in a given year to retired TRS members, as well as the cost of anticipated future benefits. These contributions are supplemented by TRS investment income. The proposal would not affect teacher contributions, but it would require school districts to pay a greater share of the current year's pension cost, reducing the state's annual contribution to TRS. The state would be responsible only for paying down the unfunded pension liability.

As an agency of the state, TRS does not advocate for or against any legislative proposals based on their merits. Policy decisions are made by the General Assembly and TRS is charged solely with administering the retirement system for members and the state.

TRS provides members with up-to-date progress reports and explanations of major proposals pending in Springfield. The best way to follow the status of legislation before the House and the Senate is to check regularly with the TRS Web site, <http://trs.illinois.gov>, for updates and explanations of major proposals.

Over 1,200 TRS Members Attend Spring “Town Hall” Meetings

When he began his new job as TRS executive director in January, **Dick Ingram** told the Board of Trustees that one of his first tasks would be to travel and meet TRS members in all “four corners” of Illinois. During April and May, Ingram did just that.

“I’m new to Illinois, and if I’m going to do a good job for our members leading TRS, then I need to get to know Illinois,” Ingram said. “The expectations, concerns, economics, and cultures are different in all parts of this state and I now have a better feel for that. I enjoyed every minute of it.”

Ingram’s tour encompassed more than 1,500 miles by car and 12 “Town Hall” meetings in every region of the state. Beginning in Decatur, the tour continued on to Champaign, Quincy, Belleville, Collinsville, Carbondale, the Quad Cities, Morton, Rockford, Chicago Heights, Lombard and Skokie. More than 1,200 TRS members and their families attended the 90-minute meetings, which were comprised of a brief Power Point presentation and a question-and-answer session.

In many communities, Ingram met with reporters or the editorial boards of Illinois’ largest newspapers to provide them with facts and figures about TRS. The goal with reporters was to challenge and correct false or misleading information that is being spread about public pensions.

“At the Town Hall meetings, we talked about a lot of things with our members, but to me there were two chief messages,” Ingram said. “First, we wanted to tell members that we are a people-oriented agency. The top priority of our 180-member staff is our 372,000 members. We have a life-long relationship with educators in every county; and our goal is to meet their needs, correct problems when we can and keep TRS strong.



Dick Ingram speaks at Morton High School’s meeting.

“The second message was that despite what they may read or hear in the media, TRS is still one of the 100 largest pension systems in the world, has more than \$37 billion in assets and is not going out of business. We intend to keep the retirement promise made to our members.”

A chief concern everywhere was Senate Bill 512, proposed legislation in the Illinois General Assembly that would radically change the TRS financing and benefit structure. Senate Bill 512, which is currently on hold in the House, would create a three-tier benefit system and

require members to choose between paying higher paycheck contributions and receiving a smaller benefit in retirement.

“Several members told me that once I explained the facts about Senate Bill 512, they felt they could better talk with their legislators about the effect the bill would have on

them and their families,” Ingram said. “We were very clear that TRS does not lobby legislators based on the merits of any legislation. What we do is provide everyone with the unvarnished facts.”

“We have a life-long relationship with educators in every county; and our goal is to meet their needs, correct problems when we can and keep TRS strong.”

Ingram added that many members told him that this was the first time they could recall that the executive director of TRS had reached out to them and that they welcomed the chance to discuss TRS issues face-to-face. Based on that feedback and the success of each meeting, Ingram said, the Town Halls will become a semi-annual program at TRS. A series of Town Hall gatherings will be set twice a year in different communities.

“I really enjoy seeing Illinois and meeting our members,” he added. “And along the way, I gained a respect and appreciation for our hardworking members and the people of Illinois.”

Despite Continued State Budget Woes, TRS Finances Improve

TRS investment assets totaled \$37.3 billion at the end of March 2011, a 23 percent increase over the assets held by TRS in 2009 during the depths of the worldwide financial crisis. During the first nine months of fiscal year 2011, the investment rate of return for TRS was 21.38 percent,

which exceeds the annual target investment rate of 8.5 percent.

“While the short-term results are impressive, it is more significant that our long-term investment strategy is working well. This is good news for our 372,000 members,” said TRS Executive Director **Dick Ingram**.

“Steady long-term returns mean greater retirement security for Illinois teachers.”

Ingram noted that over the last 30 years the TRS investment rate of return is 9.3 percent, which also exceeds the target rate.

At the end of fiscal year 2009, TRS investments totaled \$28.5 billion, the lowest level in eight years. The worldwide financial crisis during 2008 and 2009 caused TRS to lose 32 percent of its assets over those two years, ending six straight years of asset growth. By the end of fiscal year 2010, TRS assets climbed to \$31.3 billion, the result of a 13.5 percent rate of return during the year.

Another reason for the steady growth in assets over the last two



Chief Investment Officer Stan Rupnik (center) confers with Investment staff involved in the June Board of Trustees meeting.

years is a strong commitment by the Illinois General Assembly to make its full statutorily-required contributions to TRS. For the last four years, the state has paid in full its share of the annual cost of current and anticipated member benefits as defined in statute.

In fiscal year 2010, the state contributed \$2.08 billion and in fiscal year 2011 contributed \$2.2 billion. These contributions generated controversy, however, because lawmakers voted to borrow the money for the contributions instead of taking the money out of general state tax revenues.

And despite continued state government budget problems, legislators decided this spring to directly allocate the TRS contribution for fiscal year 2012 upfront out of general tax revenue, instead of waiting until the middle of the fiscal year to find the money. Legislators appropriated \$2.4 billion for TRS, funds that are expected to be paid to TRS in 12 monthly installments.

Board Schedule

All meetings will be held at the TRS office in Springfield and are subject to change. Schedule changes, meeting notices, and board actions are available on our Web site, <http://trs.illinois.gov>.

August 3-4, 2011

October 26-28, 2011

December 12-13, 2011

February 8-10, 2012

March 28-30, 2012 - Board Retreat

May 23-25, 2012

June 21-22, 2012

Civil Unions Recognized by State of Illinois

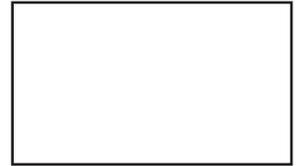
Effective June 1, 2011, Illinois law entitles both people in a civil union to the same legal obligations, responsibilities, protections, and benefits afforded or recognized by the law of Illinois to spouses.

TRS has updated printed and online publications and forms to reflect the new statute. Civil union partners can now be enrolled under a TRS member's insurance plan and receive death benefits in the same manner as a spouse. TRS will also honor Qualified Illinois Domestic Relations Orders (QILDROs) that designate a member's current or former civil union partner as alternate payee, the same as a current or former spouse.



Teachers' Retirement System of the State of Illinois

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Go Green!

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

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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.

Topics & Report

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