



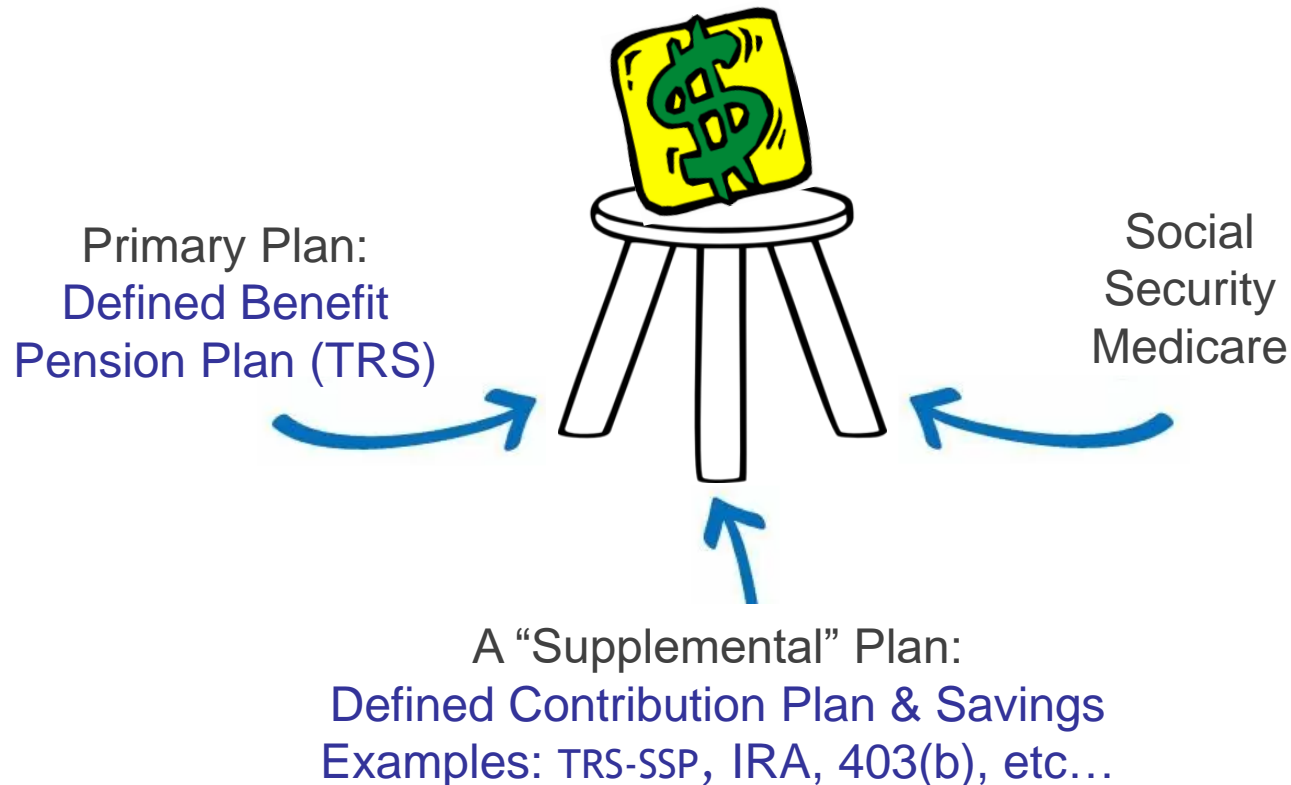
# What's Happening to Our TRS Pension?

## ROE #3 Institute

### October 8, 2021

History ... Finance ... Legislation

# Retirement Basics: A Model Plan



# Defined Benefit v. Defined Contribution

## DB -- GUARANTEED

*Like TRS, SERS, Traditional SURS, IMRF or Social Security*

- The benefit is defined (Service Credit x 2.2 x Final Avg. Salary = Benefit).
- All the contributions are pooled.
- The assets are collectively managed.
- The **risk** is borne by the **employer**, the State and the member cannot outlive the benefit.

## DC -- NOT GUARANTEED

*401 (k), 403 (b), or 457 plan*

- The member and/or employer contributions are defined and the benefit is based on the account balance for the member.
- The account is credited separately.
- The assets are managed by the individual.
- The **risk** is borne by the **member**, and the member can outlive his or her assets.
- NEW TRS Supplemental Savings Plan (SSP) – January 2022

# Teachers' Retirement System

- **Purpose** -- Created in 1939, teachers outside Chicago to provide retirement, disability, and survivor benefits
- **FY 2020 Membership - 427,321**
  - Active Members – 163,115 **(31.2% Tier 2)**
  - Inactive members – 138,279
  - Annuitants/Beneficiaries – 125,927

Oldest Retiree – 107 (Retired in 1973)

Oldest Active Full-time Teacher – 82

# Major Benefit Changes in TRS

1939: No Disability, No Health Ins., No COLA (Post-retirement Annual Increase), No Survivor Benefits

1959: Survivor Benefits added

1964: Early retirement allowed with reduced benefit

1969: 1.5% Simple COLA (1/2% Contribution)

1969: Max benefit increased to 60% of avg. salary

1972: Service credit given for unused sick leave

1980: First health insurance program established

1990: Part-time/Substitute teachers join TRS

1990: 3% Compounded COLA (SS COLA 5.4%)

1998: 2.2 Formula Upgrade enacted

2005: New Employer Cost (6% salaries/sick leave, .58%)

2011: Tier 2 created for new members

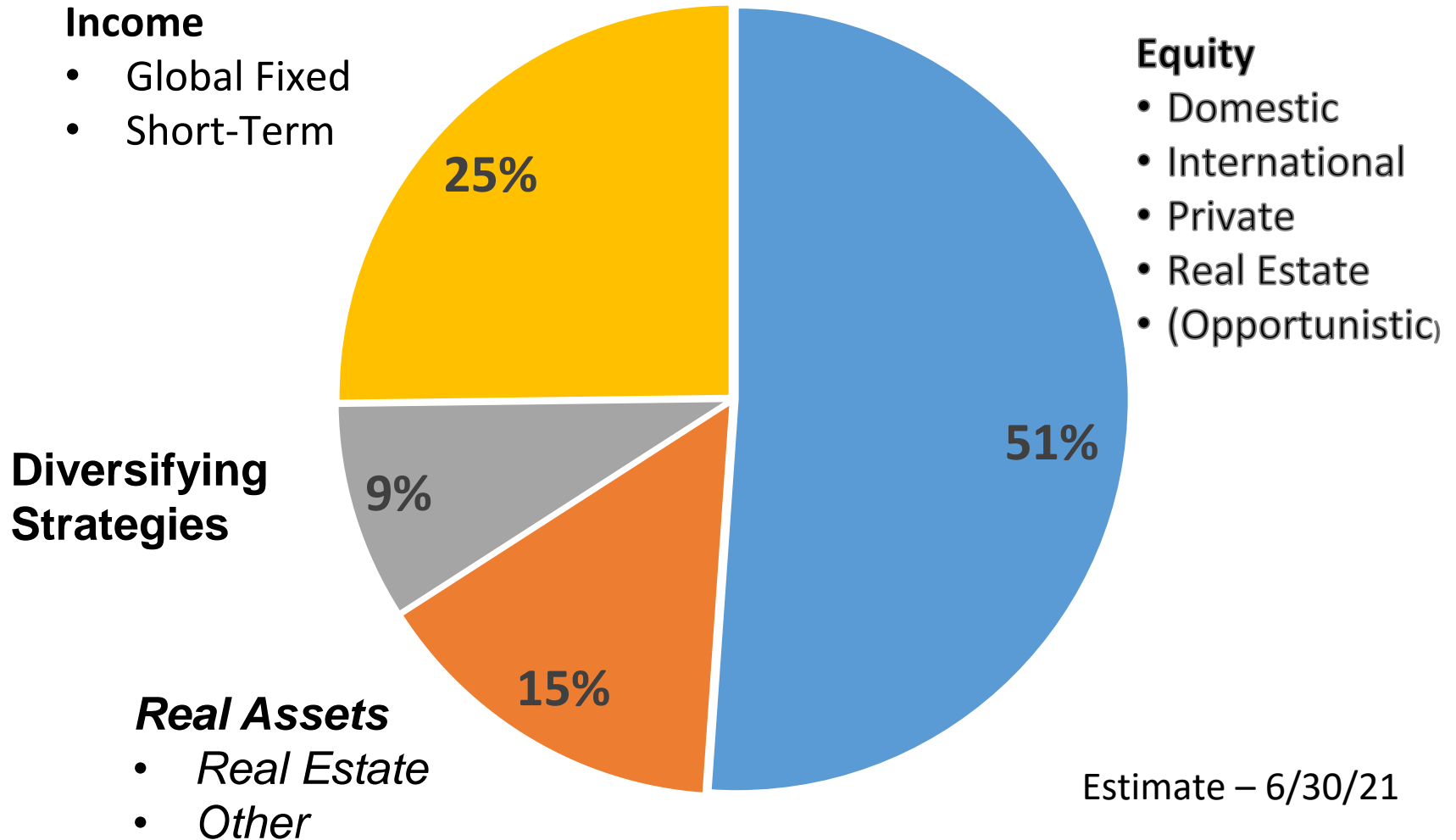
2019: Two new Buyout Programs – Actives & Inactives



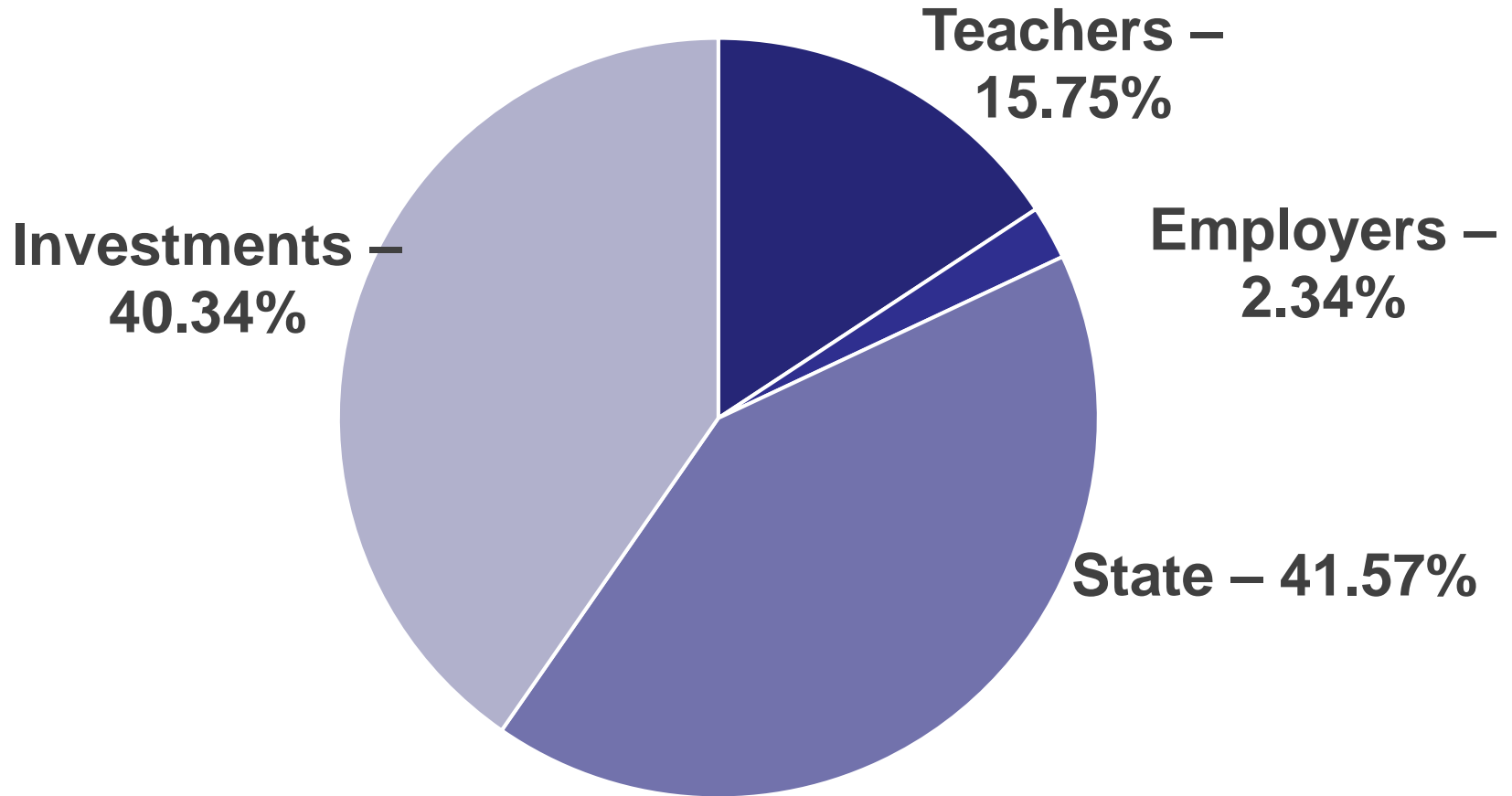
# TRS Financials



# TRS Investments -- \$62.5 Billion



# TRS Revenues by Source



**Twenty-year composite of sources  
of total income from FY 2001 to FY 2020**



# Investment Results

Fiscal Year	Investment Return Gross of Fees	Benchmark	Market Value
FY 2016	0.7%	2.4%	\$44.7 Billion
FY 2017	12.6%	11.4%	\$48.8 Billion
FY 2018	9.17%	8.19%	\$51.5 Billion
FY 2019	5.15%	7.16%	\$52.7 Billion
FY 2020	0.55%	5.48%	\$51.6 Billion
<b>30-year Return</b>	<b>7.7%</b>	<b>40-year</b>	<b>9.17%</b>

Long-term performance remains strong and is more important than short-term results.

# Preliminary Investment Results

## Assets



- FY 2020 -- \$52.3 B
- FY 2021 -- \$62.7 B

23.1 %, net of fees

TRS, June 30, 2021

# Funded Ratios--June 30, 2020

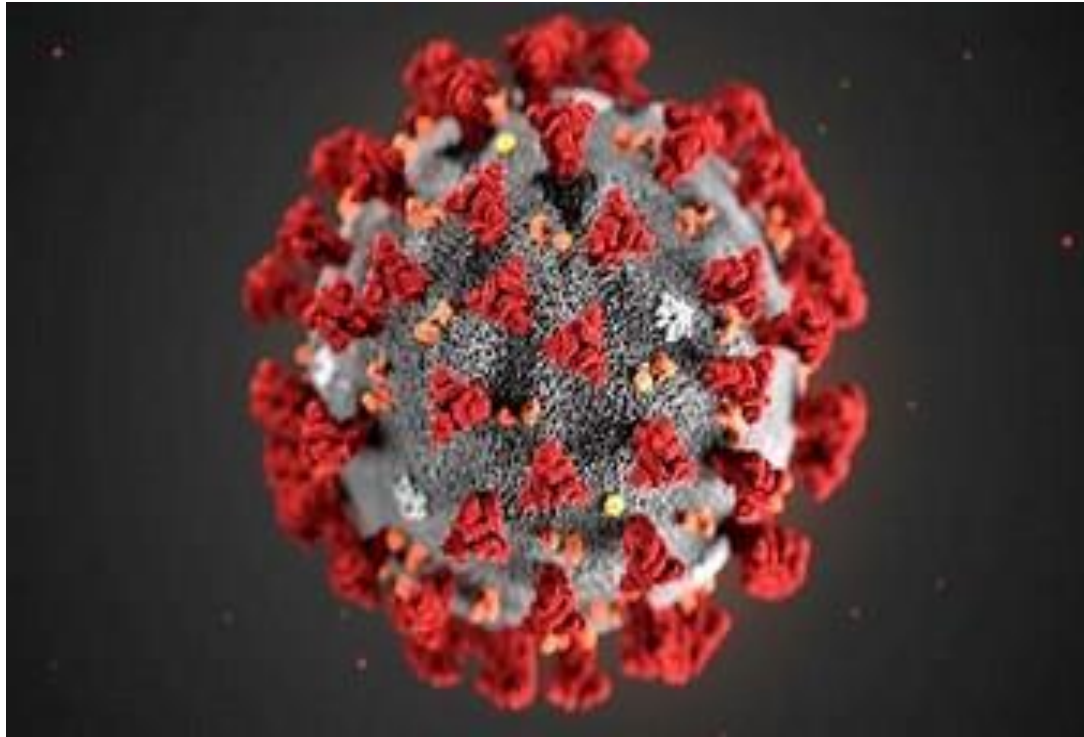
## Total Unfunded Liability of State Systems -- \$141 B (1)

- TRS 40.5%
  - SERS 38.7%
  - SURS 42.2%
  - JRS 39.3%
  - GARS 17.1%
  - STATE 40.4%
- 
- Chicago Tch 45.4% (2)

(1) COGFA

(2) Chicago Tch , FY 20

# COVID-19



# Impact of COVID-19

- **TRS Investment Returns** -- Third Quarter in FY 20 – Down **9.95%** (Public Pension Funds **-13%**)
  - Since March of 2020, Assets Up -- **Positive 28.9%**
  - State met FY 20 obligations - \$4.8 B
  - State FY 21 Obligation -- \$5.1 B (lowered by \$73 M)
  - State FY 22 Obligation -- \$5.7 B (\$8.85 B Act.)
  - Retirements up 9.2% in 2020 over 2019
  - 500 member deaths from COVID
  - TRS staff working remotely
  - No loss of productivity

GOAL – Preserve assets at lower risk as much as possible while making as much money as possible



# Impact of COVID-19

## State Revenues

- State Taxes -- COGFA
  - FY 2022 -- estimate-- \$41.982 B
- Bonding Ability
  - Fitch's Credit Outlook – “Negative” to “Positive”,  
Moody's Bond/Credit rating “Upgrade”
  - Bond Sales -- \$ 800 M in May of 2020, \$850 M in Oct.  
of 2020, \$850 M in March of 2021
- Borrowing Support from the Fed. Reserve--\$5 B
  - Borrowed \$1.2 B, paid \$200 M in FY 2020
  - Gov. Announced \$2 B in FY 2021
  - COVID Federal Bill (\$8.1B), \$5.3 B left



# TRS Supplemental Savings Plan (TRS SSP)



Required by 2018 State Law – PA 100-769  
Sponsor: Rep. Robert Martwick

“Many of the local plans offered were high-cost plans that dramatically reduced the lifetime savings. In fact, the fees charged by some plans could literally cut the final balance in half over the course of a teacher’s career.”

“This legislation ensures that **every** teacher has the opportunity to save their own money for retirement in a plan that is designed to ensure that they get they get the most possible out of their retirement savings . . .”

*SunTimes*  
9/7/20

# TRS Supplemental Savings Plan (TRS SSP)



## SUMMARY



- Another DC Plan Option for TRS Members
  - Full-time and Part-time Contractual
  - Low Cost
- Portable within Illinois Districts
- Participants already in 403(b) plans can maximize retirement savings in the TRS SSP 457(b) plans
- Availability of Loans (later)

# Employer Reporting -- Gemini

- Gemini software is being developed to accommodate the new Defined Contribution Plan and to help TRS validate TRS Contributions.
- For the 2020-21 school year, all employers will file an annual report with TRS with a due date of August 15, 2021.
- **Employer will be able to look up members to determine Tier 1 or Tier 2.**
- **Retiree Salary/Hours will be reported to TRS.**



# Legislation



# 2019 Legislative Action

## 1. Optional Pension Buyout for eligible Inactive members – extended until June 30, 2024 (irrevocable) – **PA 101-10**

- 60% of lifetime value (APB) paid to a qualified tax shelter or cash option
- **HB 2029 (PA 101-242)** clarifies that TRIP is available to those who elect to participate
- **1,727 elected/15,714 (81% rollovers)**
- **Avg. Buyout = \$123,033** 8/27/21

# 2019 Legislative Action

## 2. Accelerated Annual Increase (AAI) Program

- Only Tier 1 members are eligible
- Decision is irreversible
- Must retire on or before June 30, 2024 – **PA**  
**101-10**
- Trade your 3% compounded COLA for:
  - 1.5% simple COLA which begins at age 67
  - Plus a lump sum 70% of difference in lifetime value
- Paid to a DC plan or a cash option
- Paid from a bond sale not from TRS Trust Fund



# 2021 Legislative Proposals

## August 27

- State Budget – SB 2800, HA#3, \$42.3 B, PA 102-0017. TRS statutory request and for TRIP are funded.
- BIMP – SB 2017, HA#2, PA 102- 0016 with changes to the Pension Code as a result of COVID:
  - Tier 1 & 2 Final Avg. Salary Calculation – Retire after June 1, use FY 2020, not consecutive
  - Employer Excess Salary Cost, overload/stipends

# 2021 Legislative Proposals

## “Private School” Bills

August 27

- SB 1646 – Private School (June 30, 2023) plus Exempts Summer School, May 1, 2021 to Sept. 15, 2022, from Excess costs.
- HB 1966 (2022) -- Allows a TRS member to purchase at normal cost optional credit for up to 2 years of previous service as a teacher or administrator employed by a private school.

PA 102-0525

Vetoed



# 2021 Legislative Proposals

## “Extension” Bills

August 27

- **HB 2569** – Extends the sunset provision plus clean up for retired TRS members to return to work in subject shortage areas to June 30, 2024. **PA 102-0440**
- **SB 1989** – Extends the provision for TRS retirees, without pausing pension, to work up to 120 days or 600 hours to June 30, 2023.  
**PA 102-0537**

# 2021 Legislative Proposals

## August 27

- **SB 2176** -- Creates the Uniform Electronic Transactions (Signature) Act **PA 102-0038**
- **SB 2103** – Three major components of DC plan:
  1. As soon as practicable on or after Jan. 1, 2022, new TRS members shall be automatically enrolled in SSP with 3% contribution and a voluntary Opt-out
  2. Requires Employers to participate and further
  3. TRS may use refundable funds to initially begin the program**PA 102-0540**

**HB 1757, HB 2973** -- Requires TRS and the other State pension systems to implement a DC plan by July 1, 2022. It is mandatory for new hires and to be offered to Tier 1 & Tier 2 members.

## House Rules

# 2021 Legislative Proposals

## August 27

- **HB 21** -- Provides that a school district may apply for a waiver by providing to the System sufficient evidence that there is a substitute teacher shortage in the school district and an estimate of the number of paid hours in the school year that the annuitant will work. **House Rules**
- **HB 2997 & HB 2998** -- Provides that a teacher who served as a teacher during the public health emergency declared by the Governor related to the COVID-19 pandemic shall receive one additional day of service credit for each day of service credit earned during that period, notwithstanding any limitation on the amount of service credit that may be earned in a single year. **House Rules**

# Constitutional Changes

**Deadline – approved by 3/5 of both chambers, 6 months prior to 2022 General Election**

- **HJRCA 17** -- Removes Pension Protection Clause
- **HJRCA 20** -- Removes Pension Protection Clause for new hires after Jan. 1, 2023
- **SJRCA 10** -- Removes Pension Protection Clause

# Retiree Health Insurance (TRIP)





# TRIP

## Teachers Retirement Insurance Program

### Non Medicare Advantage (TRIP)

15,108\*

- PPO (Teachers Choice)
- HMO
- Open Access Plan

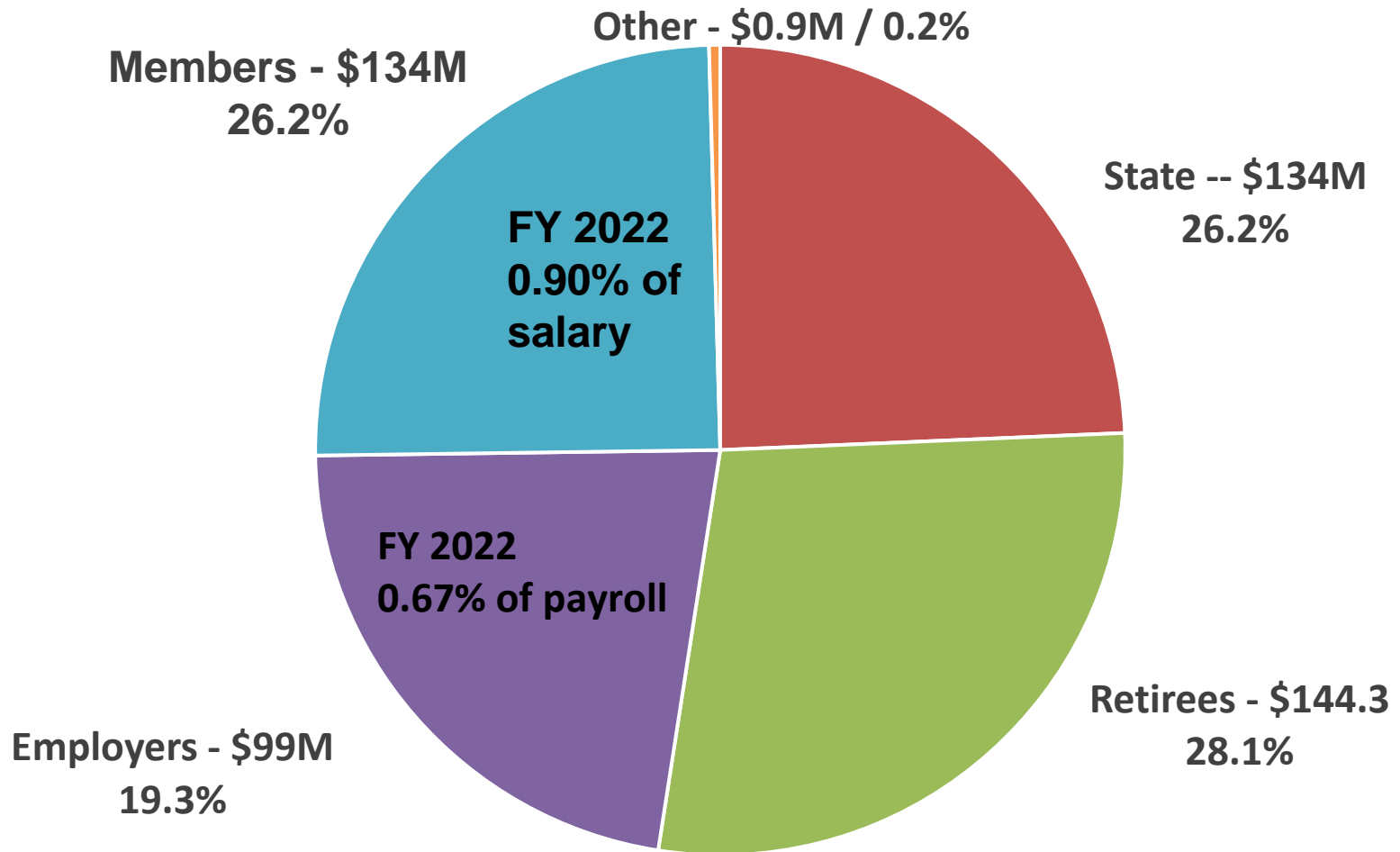
### With Medicare (TRAIL) Medicare Advantage

62,728\*

- Preferred Provider Organization (**PPO**)
- Health Maintenance Organization (**HMO**)

\* TRS, August 2021

# TRIP



\*COGFA, 6/30/2019

# 2021 TRIP Update

- **COVID Reminders**
  - 100% covered tests, exams and treatment
  - Telemedicine – 100% covered
- **Budget** – State funded according to statute
  - \$143 M in FY 21, \$143.4 M in FY 22
- **DEVA** – Dependent Verification
  - TRIP -- Ended June 18
  - TRAIL – On Hold
- **Rolling TRAIL Enrollment** – Medicare Checklist
- **OAP** -- Changes in OAP plans for TRIP participants

# My Benefits



**My Benefits Service Center  
Web Site  
[mybenefits.illinois.gov](http://mybenefits.illinois.gov)**

**Phone Number  
844-251-1777**



New Logo!

**Monday – Friday  
8:00 AM – 6:00 PM**

# Constitutional Protection



# Constitutional Protection

- **Two provisions in Illinois Constitution**
  - Contracts Clause
  - Pension Protection Clause: Article XIII, Section 5

*“Membership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which **shall not be diminished or impaired.**”*



# Pension Lawsuits

- *Lindberg (3/75), McNamee (10/96) and Sklodowski (3/98)* – drafters of Constitution **did not intend to require funding** at a certain level, unless in pension code, but indirectly to pay benefits
- *Kanerva v. Weems* – Supreme Court ruled the State's subsidization of health insurance for its retired state employees is a benefit of membership in a State pension system, 7/3/14
- *Heaton v Quinn* – Supreme Court ruled PA 98-0599, reduction in COLA is **unconstitutional**, 5/8/15

# Heaton v. Quinn Decision

- “members of pension plans . . . have a legally enforceable right to receive the benefits they have been promised.”
- “The protections afforded . . . attach once an individual first embarks upon employment . . . not when the employee ultimately retires.”
- “Additional benefits may always be added . . . and the State may require additional employee contributions or **other consideration** in exchange.”

# QUESTIONS



# Contact Information

## **Nick Stabler**

Outreach Coordinator  
Teachers' Retirement System

Mail: 2815 West Washington  
P.O. Box 19253  
Springfield, IL 62794-9253

877-927-5877, x 2161  
[nstabler@trsil.org](mailto:nstabler@trsil.org)

# Appendix

1. AAI Program --

[https://www.trsil.org/AAI\\_Program\\_Brochure](https://www.trsil.org/AAI_Program_Brochure)

2. One-Year Retiree Return to Work Program –  
Informational Bulletin 79

<https://www.trsil.org/sites/default/files/documents/22-11.pdf>

3. Social Security Offsets

WEP -- <https://www.ssa.gov/pubs/EN-05-10045.pdf>

GPO -- <https://www.ssa.gov/pubs/EN-05-10007.pdf>

# Appendix

## 4. Timeline for Retirement --

<https://www.trsil.org/sites/default/files/documents/ins05.pdf>

## 5. Death Benefits --

<https://www.trsil.org/members/retired/guide/chapter-fourteen-death-benefits>

## 6. TRS Virtual Retirement Meetings --

[https://www.trsil.org/Fall\\_Member\\_Meetings](https://www.trsil.org/Fall_Member_Meetings)

## 7. Member Account Access Login --

<https://member.trsil.org/subsections/secureaccountaccess/security/signin.aspx>



# State Constitutions

## Arizona

- First passed statutory changes
  - 2016 – Police & Firefighters
  - 2018 – Corrections officers & elected officials
- Then affirmed changes in the Constitution
- **Never challenged in Court**

## New York Tiers

- 1 – pre 7/1/73
  - 2 – 7/1/73-7/26/76
  - 3 – 7/27/76-8/31/83\*
  - 4 – 9/1/83-12/31/09
  - 5 – 1/1/10-3/31/12
  - 6 – after 3/31/12
- \*best 3 or 4

# Member Account Access Area

## Actives/Inactives

- Benefit Estimates
- Beneficiary Information
- Document Upload
- Some Demographics
- Forms/brochures
- TRS Benefit Report
- Start a Retirement Claim
- Start an ERO Sunset Refund Claim

## Annuitants

- Verification Letters
  - Income
  - Insurance
- Document Upload
- Some Demographics
- Past Benefit Reports
- Acct Receivable Statements
- Monthly/yearly earning Statements

# TRS Supplemental Savings Plan (TRS SSP)



- It will be a 457(b) Defined Contribution Plan
- Go Live Date -- ?
- The plan's mandate is to offer **high quality investments at a low cost** and participants can expect TRS to meet that mandate.
- Employee contributions may be deducted initially as a percentage of pay or a flat dollar (still under discussion).
- Both pre-tax and post-tax (Roth 457(b)) contributions will be allowed up to the applicable limit.

# TRS Supplemental Savings Plan (TRS SSP)

- Employee contributions will be 100% vested immediately.
- Rollover contributions to the plan will be allowed from other eligible plans including a 403(a), 403(b), 401(a), 457(b), Roth IRA, Simple IRA.
- Maximum Contribution limit - \$19,500 to each plan in 2021.
- Catch-up contributions, both Age 50 and Special 3-year Catch-up, will be allowed for qualifying participants.

# TRS Supplemental Savings Plan (TRS SSP)

- The TRS Board approved the investment options at their October Board meeting.
- TRS has hired a recordkeeper to partner with TRS on admin. and communication – **Voya Financial.**
- Look for joint TRS/**Voya** virtual meetings prior to go-live.
- Requires new TRS members, not new to an employer, hired after Jan. 1, 2022, or as soon as practicable, to be automatically enrolled to SSP with 3% contribution and a voluntary Opt-out within 30 days.

# Investment Options – Oct. 29, 2020

## DEFAULT OPTION

BlackRock LifePath® Index K Series – 0.09%

## CORE ARRAY

### CAPITAL PRESERVATION

#### STABLE VALUE

Vantagepoint PLUS Fund R10 – 0.53%

#### MONEY MARKET

Vanguard Federal Money Market (VMFXX) – 0.11%

## CORE AND DIVERSIFYING FIXED INCOME

### INTERMEDIATE

BlackRock U.S. Debt Index Fund F – 0.0279%

### HIGH YIELD

PGIM High Yield R6 (PHYQX) – 0.40%

### MULTISECTOR

PIMCO Income Instl (PIMIX) – 1.09% (0.50%)\*

## DOMESTIC EQUITY

### LARGE BLEND

BlackRock Equity Index Fund F – 0.0087%

### MID BLEND

BlackRock Mid Cap Equity Index Fund F – 0.013%

### SMALL BLEND

BlackRock Russell 2000® Index Fund F – 0.0186%

## GLOBAL/INTERNATIONAL EQUITY

### FOREIGN LARGE CAP

BlackRock MSCI ACWI ex-U.S. Index Fund F – 0.0597%

## INFLATION HEDGE

### REIT

Vanguard Real Estate Index Admiral (VGSLX) – 0.12%

## SOCIALLY RESPONSIBLE ARRAY

Garcia Hamilton ESG Core Bond Fund – 0.32%

BlackRock MSCI ACWI ESG Focus Index Fund F – 0.09%

## SELF-DIRECTED BROKERAGE ACCOUNT

The investment lineup for the Plan was approved during the October 29, 2020 Board meeting.

\*The fee in parenthesis represents the portion of fees investors pay directly to PIMCO for investment management. This fee excludes other investment expenses (i.e. interest expense from borrowing) incurred through investment transactions.

Data Source: Morningstar as of 09.30.2020

Confidential Information - For Plan Sponsor Use Only © 2020 All Rights Reserved





# Employer Reporting -- Gemini

- Began the Process by:
  - Working with payroll software vendors on this project. We estimate that 80-90% of districts use payroll software from a vendor.
  - TRS started training a “Pilot Group” of employers, and software companies that these employers use to administer payrolls.
  - In June held Seminars and Listening Sessions & now Open Forum Zoom meetings held every Thursday -- [https://www.trsil.org/sites/default/files/documents/FY22-04\\_0.pdf](https://www.trsil.org/sites/default/files/documents/FY22-04_0.pdf)

# Employer Reporting -- Gemini

- TRS will be requiring employers to **begin** the switch from the current Annual Reporting process to reporting every pay period by **July 1, 2021**.
  - Complete user registration and login – 987/990
  - Manage contacts, users and locations
  - Create payroll schedules
  - Add flex plans, board paid TRS contributions and sick leave
  - Add banking information
- Then, new Employer Portal for the rest of the Payroll Data begins **September 7, 2021**.

# Employer Reporting -- Gemini

- Videos and other updates can be found at  
<https://www.trsil.org/employers/Gemini>
- Overall document located at  
<https://www.trsil.org/sites/default/files/documents/EmployerReportingFileValidations.pdf>

Contact **Employer Services Department** if you have questions – 888-678-3675