



TRS Benefits: Start to Finish

Teachers Retirement System

2022-2023

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TRS Demographics ...

Where do you fit in?

Purpose

- Created in 1939
- Illinois educators outside Chicago
- TRS provides its members with retirement, disability, and survivor benefits

FY 2021 Membership

- Active Members - 163,115 (31.2% Tier 2)
- Inactive members - 138,249
- Annuitants/Beneficiaries - 125,927
- Oldest Active (Teacher) - 83 (August 2022)
- Oldest Retiree - 108 (as of yesterday)

Teachers' Retirement System

- What we do:
 - Counsel members regarding their retirement
 - Provide Benefits Estimates
 - Instruct members on how to enhance their benefit through added service credit and final average salary
 - Provide health insurance information and resources (TRIP)
 - Counsel members regarding TRS Disability and Death Benefits

Teachers' Retirement System

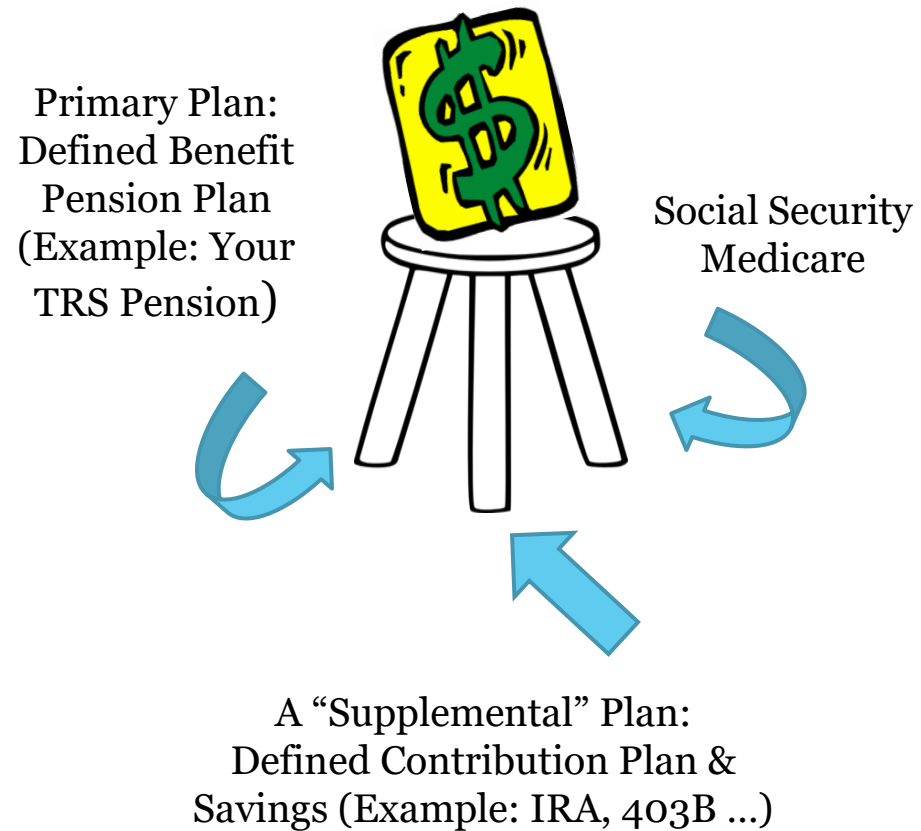
- What We Do NOT Do:
 - Provide financial or tax advice
 - Interpret district contracts & incentives
 - Administer health insurance benefit
 - Lobby

Why Care about TRS?



- ▶ You have a financial investment - 9% of your salary - in the System
 - ▶ 30-year rate of return: 8.04%
- ▶ Creates a stable foundation of a life-time pension

Retirement Basics: A Model Plan



Retirement Basics: “DB” vs. “DC”

Defined Benefit (TRS Pension)

- ▶ TRS, IMRF, Traditional SURS, & SERS
- ▶ The TRS benefit is defined by law
- ▶ All the contributions are pooled
- ▶ The assets are collectively managed
- ▶ The **risk** is borne by the **employer**, and the member cannot outlive the benefit
- ▶ Guaranteed for life

Defined Contribution (Savings)

- ▶ 401(k), 403(b), 457 plan or IRA
- ▶ Not guaranteed for life
- ▶ Member and/or employer contributions are defined and the benefit is based on the member's account balance at retirement.
- ▶ The account is credited individually & is owned by individual
- ▶ The assets are managed by the individual.
- ▶ The **risk** is borne by the **member**, and the member can outlive his or her assets

Contributions to TRS Trust Fund

DB - TRS Employee Contribution	9%
DB - TRS School District Contribution	0.58%
DC – Employee Contribution	None Required
DC – School District Contribution	None Required

According to ISBE, 2/3 of the school districts in Illinois have negotiated to pay some or all of the TRS contributions.

These contributions are included in the salary credited to TRS regardless of who pays them.

Ex: \$40,000 salary is reported as \$43,600 in earnings.

Retirement Eligibility

Tier I

- Age 60 with a minimum of 10 years of service
- Age 55 with a minimum of 20 years of service
 - If less than 35 years, “early retirement”
 - The benefit will be reduced by 6% for each year the member is under age 60

Tier II

- Age 67 with a minimum of 10 years of service
- Age 62 with a minimum of 10 years of service for “early retirement”
 - The benefit will be reduced by 6% for each year the member is under age 67

Retirement Formula:

Years of Service x **2.2%** x **Final Average Salary** = Pension

Years of Service: 170 days of “teaching” = 1 year of service
(includes every day of substitute teaching and up to 340 unused sick days. Each day = .006 years of service!)

2.2%: Percentage of your FAS you receive for each year of service

Final Average Salary (FAS)

- Tier I: Average of 4 highest consecutive years of last 10 worked
- Tier II: Average of 8 highest consecutive years of last 10 worked
 - Cap applies: Currently \$119,892.41/year

Maximizing Your Pension

Maximum is 75% of your Final Average Salary

- ▶ 34.000 Years of Service will allow you to reach the maximum of 75% of your FAS
- ▶ $34 \times 2.2\% = 74.8\%$ of FAS (74.8% gets rounded to 75%)
- ▶ If you begin your TRS career at age 23 and have full years of service each year, you will be 57 when you reach 34 years.
- ▶ For Tier I, full retirement age is 60 (early is age 55 but reduced if <35 yrs)
- ▶ For Tier II, full retirement age is 67; reduced retirement age is 62

Pension Scenarios

- ▶ 30 years of service; avg. salary = \$85k
 - ▶ Tier I Age 60 or Tier II Age 67: \$56,100
 - ▶ Tier I Age 55 or Tier II Age 62: \$39,270

- ▶ 30 years of service; avg. salary = \$150k
 - ▶ Tier I Age 60: \$99,000 or Tier II Age 67: \$75,900
 - ▶ Tier I Age 60: 69,300 or Tier II Age 62: \$53,130

Annual Increases

Tier I

- 3% per year, compounded
- 1st increase:
- ❖ Must be retired 1 year
- ❖ Must be at least 61 years old
- ❖ The following Jan 1 is first increase, retroactive to the time you retired

Tier II

- ½ Consumer Price Index, no more than 3%, whichever is less, not compounded
- 1st increase:
- ❖ Must be retired 1 year
- ❖ Must be at least 67 years old
- ❖ The following Jan 1 is first increase, retroactive to the time you retired

Bring More

“Bringing more” with a separate savings plan will supplement your TRS pension and enhance your retirement.

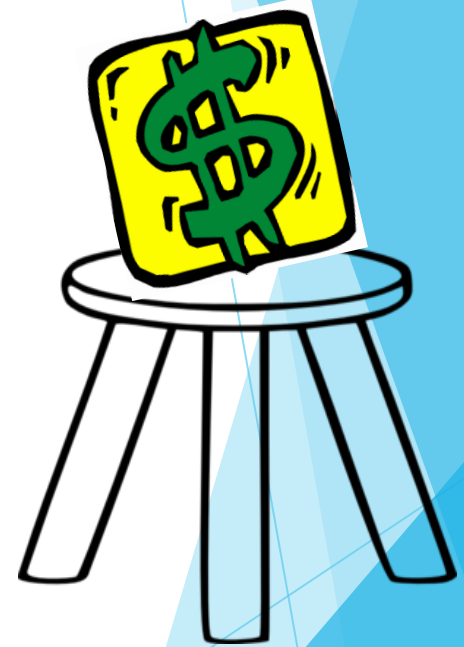
The TRS-Supplemental Savings Plan (SSP) is an optional DC component available to all full-time and part-time contractual members.

- ▶ 457(b) plan administered by VOYA Financial
- ▶ Pre-tax and Roth (post-tax) savings options
- ▶ New TRS members will be auto-enrolled at 3% of gross pay starting January 1, 2023 (opt-out available)
- ▶ For complete information about the TRS SSP, go to:
www.trsil.org/Supplemental-Savings-Plan



A few words about Social Security

- As a teacher in Illinois, you do not pay Social Security tax on your teaching salary (similar to 15 other states) and therefore do not earn Social Security credit.
- Social Security benefits earned through outside employment may be reduced based on receipt of second government pension (TRS) under federal Windfall Elimination Provision



A Bonus from the State of Illinois

You can reduce your Illinois State Tax liability by \$250 if you purchased materials for your classroom that were not reimbursed by your school.

Constitutional Protection



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“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.**”

Biedron v. Park Employees and Retirement System - the Circuit court declares that the Public Act 98-0662 agreed to by unions and the System is **unconstitutional**, 3/1/18

Kanerva v. Weems - Supreme Court ruled the State’s subsidization of health insurance for its retired 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

Contact Information

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