



TOPICS & REPORT

Summer 2019

Teachers' Retirement System of the State of Illinois | <https://www.trsil.org> | Over 417,000 members

Three Members Elected in May to the TRS Board of Trustees



Marsha Byas



Trustee
Andrew Hirshman



Doug Strand



Trustee Daniel Winter
Term ends July 15



Trustee Cinda Klickna
Term ends July 15

Marsha Byas of Harrisburg, Trustee **Andrew Hirshman** of Oak Park and **Douglas Strand** of East Moline were elected in May by members of Teachers' Retirement System to the retirement fund's Board of Trustees. Ms. Byas, Mr. Strand and Trustee Hirshman will begin their four-year terms on July 15.

This is Trustee Hirshman's second term on the TRS Board as one of the four trustees elected by active TRS members. He was first elected in 2015. Ms. Byas also was elected by active members. Mr. Strand joins the Board as one of two trustees elected by TRS annuitants.

The other candidate vying for one of the two open seats on the Board designated for active TRS members was **Kathleen Hinz** of Crystal Lake.

The other candidate vying for the single annuitant (retired) seat was Trustee **Cinda Klickna** of Rochester. Because she retired during her most recent term as an "active member"

trustee and wanted to be re-elected, Trustee Klickna was required by law to run as a candidate for an annuitant seat. She was first elected to the Board in 2003.

Mr. Strand will assume the annuitant seat of Trustee **Daniel Winter** of Decatur, who decided not to seek re-election after one term.

More than 14,000 valid electronic and paper ballots were counted. Each active member was allowed to vote for two candidates. Annuitants could only vote for one candidate.

Ms. Byas teaches 3rd grade special education at Harrisburg Community Unit School District 3. Trustee Hirshman teaches economics and world history at Mundelein High School in Lake County. Mr. Strand retired from United Township High School in East Moline after 40 years of service in education.

Under state law, four trustees are elected by the System's 161,000 active members and two are elected by the 110,000 annuitants. Trustees are elected every two years to staggered four-year terms. Six members are appointed by the governor. The 13th member, by law, is always the state superintendent of education, who also is the president of the Board.

During the June Board meeting, Trustee Klickna and Trustee Winter were presented with resolutions honoring them for their dedication and service to TRS members.

ACTIVE MEMBER ELECTION TOTALS

Andrew Hirshman: **2,098**

Marsha Byas: **1,979**

Kathleen Hinz: **1,708**

ANNUITANT ELECTION TOTALS

Douglas Strand: **4,390**

Cinda Klickna: **3,936**



Executive Director: Our Top Responsibility is to Safeguard Your Retirement



Executive Director
Dick Ingram

Each year in Illinois, the debate over the state government budget draws criticisms and complaints about how much money to spend, where to spend it, who should pay and how much they should pay. Everyone who depends on the budget has their own ideas about how to prioritize spending.

That's why I don't envy anyone who accepts the job of piecing together the state budget. In fact, I admire those who take on that daunting challenge.

Predictably, **Gov. JB Pritzker** heard many concerns this spring about his first budget proposal for fiscal year 2020. It's no secret that TRS had concerns about the original budget proposal.

In January, the System's trustees followed the formula in state law and certified a state contribution for your pensions of \$4.8 billion. In February, the governor proposed a \$600 million reduction in the TRS contribution, to \$4.2 billion. The TRS cut would help bolster other cash-starved priorities.

In addition, the budget called for a seven-year extension of the current 2045 deadline that requires TRS to be 90 percent funded. Right now, TRS is 40 percent funded.

Following a lengthy and difficult discussion, the TRS trustees announced in March that the \$4.2 billion allocation and the refinancing plan were unacceptable. We were joined in this view by labor unions, organizations representing TRS members and many legislators.

When you're part of state government, it's never popular to go public with your opposition to what the governor wants to do. But the reality is TRS is obligated by its fiduciary duty to oppose any TRS contribution that is less than what state law requires.

In situations like these at TRS, your needs come first. All of us at the System have a fiduciary duty to our 417,000 members to protect the trust fund that feeds your benefits. This duty also is a moral responsibility. Most retired teachers depend almost entirely on TRS in retirement. We literally are the guardians of your "golden years."

Right now, TRS has more than enough money to pay all pensions for the foreseeable future. The retirement system has \$51 billion in assets. Total income last year was \$9.2 billion. Annual benefits total \$6.5 billion.

The financial problem TRS faces is in the future. Numerous studies have all shown that we depend on the state's contribution to ensure our ability to deliver on your promised pension.

Long-term, TRS has 40 cents in the bank for every \$1 that we need to pay the benefits we owe all members. We should have \$130 billion in the bank, not \$51 billion. That \$79 billion hole grows every year because for decades, state government has shortchanged its responsibility to TRS pensions.

Our actuaries – with the strong approval of the state actuary – have told us repeatedly that even a small reduction in the legally-required state contribution for TRS would have a devastating effect on our finances that would last for years.

Here's how to visualize this: A \$1 reduction in state support this year requires \$3 in state support in the future just to break even. It's fair to ask: if it's a problem to spend \$1 today, how much of a problem is it going to be to find \$3 tomorrow to get back on track?

That's why TRS opposed a \$600 million cut in this year's state contribution. That reduction would have led us faster and further to a downward spiral that threatens the solvency of TRS.

As it happened, the \$600 million reduction in the fiscal year 2020 TRS contribution did not materialize. State tax collections in April exceeded expectations by \$1.5 billion. The governor immediately earmarked \$600 million from that windfall to restore the TRS contribution and to postpone the refinancing plan. And after six months of hard work, the governor and the General Assembly reached a compromise on a \$40 billion budget.

At TRS we are very grateful for the governor's recognition of the financial problems that confront the System and its members, as well as his decision to restore the full appropriation required by law.

But we all need to remember that the fiscal year 2020 state budget only covers one year. The System's long-term finances will remain on a knife's edge. We anticipate that there will be more difficult decisions in future years.

Our pledge is to work cooperatively with the governor and legislators on solutions to the challenges facing TRS. Our duty, however, is with you – and with our responsibility to safeguard your retirement.

Sincerely,



Dick Ingram
TRS Executive Director

2019 Spring Legislative Session Actions Affecting TRS Members



Before concluding its annual spring session in early June, the Illinois General Assembly took action on a number of new laws that are important to Teachers' Retirement System and its members, including an extension of modified "return-to-work" rules to help ease the state's teacher shortage, a three-year extension of the "buyout" programs, a \$40,000 minimum wage for teachers and a state appropriation to the System that does not require a controversial refinancing of the TRS long-term debt.

All of the bills approved by the legislature are expected to be signed into law by **Gov. JB Pritzker**. A few – such as the state budget – already have

been enacted. Here's a summary of the legislative action important to TRS:

\$4.8 billion in state funding for TRS in fiscal year 2020

Gov. Pritzker and legislators agreed on a \$4.8 billion contribution to TRS as part of a \$40 billion state budget for fiscal year 2020, which began on July 1.

The \$4.8 billion contribution is a 7.6 percent increase in state funding over the fiscal year 2019 appropriation and meets the minimum state funding level required by state law for the year. However, the fiscal year 2020 appropriation falls \$3 billion

short of "full funding" for the System as determined by TRS actuaries.

Since 1939, state government has never once appropriated a "full funding" amount for TRS. This record of inadequate funding is the main reason TRS carries a \$79 billion long-term unfunded liability, one of the largest in the country.

Funding the \$4.8 billion state contribution also will not require a proposed "refinancing" of the unfunded liability, a plan which would have reduced the fiscal year 2020 contribution to \$4.2 billion. The refinancing proposal would have extended the time period in which state government is required by law to pay off the TRS liability. The target date would have moved from 2045 to 2052.

However, state tax receipts for April 2019 came in \$1.5 billion ahead of estimates, so Gov. Pritzker scuttled the debt refinancing plan and decided to use \$600 million from the revenue windfall to bring the TRS contribution back up to \$4.8 billion.

Spring Session *continued on pg. 4*

Return-to-work limits extended for subject shortage areas

To help alleviate the classroom teacher shortage problem in Illinois, a law that allows retired TRS members to teach for a full school year in districts declared to be “subject shortage areas” by the Illinois State Board of Education has been extended until 2021. Under the law, which was set originally to expire at the end of June, retired teachers who fill vacant classroom

positions are not subject to “return-to-work” restrictions imposed on other retirees.

\$40,000 minimum wage for Illinois teachers

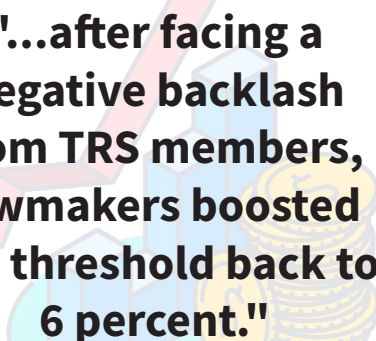
The new minimum salary for teachers across the state is also designed to help alleviate the ongoing shortage of teachers. The salary schedule will be phased in over the next four years.

TRS member “buyout” programs

The time period for the two “buyout” programs available to eligible TRS members – one for retiring Tier 1 members and one for all vested inactive members – will be extended to the end of the fiscal year 2024. Originally, the programs were set to automatically expire at the end of fiscal year 2021.

School Year	Minimum Salary for Teachers
2020-2021	\$32,576
2021-2022	\$34,576
2022-2023	\$37,076
2023-2024	\$40,000

Reverse Course: 3% is Out and 6% is the Law Once Again



"...after facing a negative backlash from TRS members, lawmakers boosted the threshold back to 6 percent."

For the second year in a row, the General Assembly altered a state law that greatly influences the salary increases that many school districts grant teachers who are within four years of retirement.

The law in question sets a “threshold” on salary increases for TRS members if the raise would factor into the member’s initial pension calculation that typically is within a member’s last four years of teaching. If a member’s raise exceeds the threshold, the law requires the school district to pay the lifetime actuarial cost of the portion of that member’s pension created by the part of the raise

above the threshold. Some of these payments total several thousand dollars.

For the last 13 years, the threshold on raises in the law was 6 percent. In 2018, the legislature reduced the threshold to 3 percent and TRS spent a considerable amount of time and money to reconfigure its computer systems and internal practices to administer the lower threshold.

But this year, after facing a negative backlash from TRS members, lawmakers boosted the threshold back to 6 percent.

What’s old is new again.

Fall Member Meetings Explain Retirement and Benefits for Tier 1 and Tier 2



TRS will host statewide meetings for members from late August to November that are designed to explain the retirement process and to provide members with information about disability, death and insurance benefits.

The presentations have information for both Tier 1 and Tier 2 members.

The TRS website will provide the specific meeting locations and addresses in mid-August. When the meeting schedule is finalized, an email alert will be sent. If you would like to be informed of this schedule via email and we do not already have

your email address, you can add it to your official TRS record. You may enter your email address in the secure Member Account Access area online or call us at 877-927-5877.

Sometimes a school district changes the meeting location after the initial notification email has been sent. Although not a common occurrence, always check the TRS website for any updates before leaving for a meeting.

Location	Date
Algonquin	Oct. 30
Alton	Oct. 9
Arlington Heights	TBD
Aurora	Nov. 5
Barrington	Sep. 24
Belleville	Aug. 29
Belvidere	Sep. 17
Bloomington	Oct. 1
Bourbonnais	Oct. 3
Carlinville	Oct. 10
Cary	Oct. 29
Champaign	Sep. 4
Charleston	Oct. 16
Chatham	Oct. 16
Chicago Heights	Sep. 25
Danville	Sep. 12
Decatur	Sep. 19
Des Plaines	Sep. 11
Dixon	Oct. 1
Downers Grove	Oct. 2
Edwardsville	Sep. 11
Effingham	Aug. 28

Location	Date
Elgin	Sep. 18
Evanston	Oct. 22
Fairfield	Sep. 25
Freeport	Sep. 5
Geneva	Oct. 3
Grayslake	Oct. 2
Highland Park	Oct. 1
Jacksonville	Sep. 18
Kankakee	Sep. 11
Kewanee	Sep. 10
La Salle	Oct. 24
Lemont	Sep. 5
Libertyville	Sep. 19
Machesney Park	Oct. 29
Macomb	Sep. 5
Marion	Oct. 9
McHenry	Oct. 10
Moline	Sep. 12
Monmouth	Sep. 11
Morris	Sep. 12
Naperville	Oct. 28
New Lenox	Oct. 9

Location	Date
Northbrook	Oct. 15
Oak Lawn	Sep. 10
Oak Park	Nov. 6
Olney	Sep. 24
Pekin	Sep. 26
Peoria	Oct. 10
Pickneyville	Oct. 8
Plainfield	Sep. 26
Pontiac	Aug. 27
Rock Falls	Oct. 17
Rockford	TBD
Salem	Sep. 26
Savanna	Sep. 4
Schaumburg	Oct. 16
South Holland	Oct. 22
Springfield	Oct. 23
Taylorville	Sep. 19
Tinley Park	Sep. 24
Warrenville	Oct. 8
Western Springs	Oct. 16

Wait Four Months to Receive a Refund of Retirement Contributions

Now that the 2018-19 school year is over, some teachers may not be returning to the classroom. These TRS members may apply as early as the day after their last day of teaching for a refund of their TRS contributions if they terminate teaching with a TRS employer. However, by law, a refund cannot be processed until four months have passed since the member's final day of teaching.

A refund of retirement contributions, which consists of the portions used to pay the retirement annuity (7.5 percent) and the annual increases in the annuity (0.5 percent), should be carefully considered because it terminates the member's benefits and will be costly to repay if the member returns to teaching in the future. Contributions of 0.4 percent for the expired Early Retirement Option will also be refunded if a member has not already applied and received that refund. If the member receives a refund of retirement contributions, she/he is not entitled to any other refunds. The contribution for the Teachers' Retirement Insurance Program and the 1 percent survivor benefit contribution are not refundable.

After the member contacts TRS about the refund, TRS will send the application by regular mail.

The application can be returned any time after the member has formally resigned from her/his TRS-covered position. Once a properly completed refund application and any required supplementary earnings information from the school district(s) are received, we will process the refund and forward it to the Office of the Comptroller for payment when four months have passed following the member's final day of teaching.



Eligible Retirees & Survivors Have Fall Open Enrollment Period for TRAIL

If you are eligible for the Total Retiree Advantage Illinois (TRAIL) open enrollment this fall, you will receive information in the coming months from the Illinois Department of Central Management Services Bureau of Benefits.

The Teachers' Retirement Insurance Program (TRIP) offers annuitants and survivors a healthcare program called TRAIL. This program provides eligible members and their covered dependents comprehensive medical and prescription drug coverage through Medicare Advantage plans

(commonly referred to as "MAPD" plans).

To be eligible for coverage under a TRAIL MAPD plan, you and your eligible dependents must live in the United States or in one of the U.S. territories and be enrolled in Medicare Parts A and B due to age or disability with an effective date before Sept. 30, 2019.

The 2020 plan year begins Jan. 1 and is effective through Dec. 31, 2020.

If you are currently enrolled in one of the TRAIL Medicare Advantage plans, your enrollment will continue. **You**



do not need to do anything during the fall open enrollment period unless you want to make a change.

If you want to make a change to your current Medicare Advantage health plan or dependent coverage, please follow the directions provided in your fall open enrollment notification.

Accelerated Pension Payment Programs Offered to Certain Members

The state's "Accelerated Annual Increase" (AAI) payment program for retiring Tier 1 members has been up and operating since January and participation currently has been slow to materialize.

As of mid-June, only 79 members out of 3,224 who are retiring this spring have agreed to an accelerated payment in return for a reduction in the automatic annual increase to their remaining pensions. The payouts to these members totaled \$2.7 million.

The AAI program is one of two accelerated benefit programs created last year by the legislative and executive branches. The second, a true "buyout" program for eligible inactive TRS members, is set to begin in late summer or early fall.

Originally, the two programs were scheduled to expire at the end of the 2020-2021 school year. But in this spring's legislative session, lawmakers extended the life of the programs until the end of the 2023-2024 school year.

Under the AAI program, Tier 1 members accepting the accelerated payment will renounce their rights to the current Tier 1 annual benefit increase of 3 percent compounded; accept a new annual increase of 1.5 percent, not compounded, and receive a lump-sum that equals 70 percent of the difference between the estimated lifetime value of the old and new annual increases. The new 1.5 percent increase would take effect after age 67 while the 3 percent increase takes effect after age 61.

About 20,000 of the 131,812 inactive TRS members are eligible for the second program. This buyout amount will equal 60 percent of the present value of the member's anticipated pension benefits. In return, the member will give up any future rights to a reoccurring TRS benefit when he/she gets older.

To be eligible, an inactive Tier 1 member must have at least five years of TRS service and an inactive Tier 2 member must have at least 10 years of service.

TRS will contact the 20,000 inactive members eligible for the buyout later this summer.

Two Recent Board of Trustee Appointments by Governor Pritzker



Devon Bruce



Maureen Mena

Since taking office in January, **Gov. JB Pritzker** has appointed two new members to the TRS Board of Trustees and withdrawn four nominations to the Board made by former **Gov. Bruce Rauner** that were never confirmed by the Illinois Senate.

In April the governor appointed Trustee **Devon Bruce** of Lake Forest and Trustee **Maureen Mena** of Bolingbrook to the Board. They were both confirmed by the Senate in May.

They replace former trustees **Matthew Hower** of Barrington Hills and **Mark Shaw** of Lake Forest. Trustees Mena and Bruce began serving during the Board's meeting in April.

Gov. Pritzker also withdrew two other nominations to the TRS Board made by the previous administration – former trustees **Tracy Kearney** of Glenview and **Mark Splitstone** of Elmhurst. Neither of these appointments had been confirmed by the Senate.



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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Go Green!

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