

# TOPICS & REPORT

Teachers' Retirement System of the State of Illinois  
Winter 2016-17



## TRS Members Claim Early Retirement Option Sunset Refunds

As of mid-December, 58,966 eligible active and inactive TRS members have claimed \$109,619,143 for their Early Retirement Option (ERO) Sunset Refunds.

The vast majority of members (92 percent) used the easy online application process found in the secure Member Account Access area of the TRS website. All of the refunds are subject to income tax withholding and other reductions as required by law.

Completing the application process online takes only a few minutes. The refund request is then sent to the Illinois Comptroller's Office and a check is created and mailed.

Electronic deposits are not available for the ERO Sunset Refund program.

**Retired TRS members are not eligible for the refund because they do not have refund balances.**

Each member's ERO Sunset Refund equals the portion of his/her retirement contributions paid between 2005 and 2016 to help fund the ERO program. Between July 1, 2005 and July 1, 2016, active members paid 0.4 percent of their TRS contributions toward ERO.

More than 195,000 eligible TRS members were notified in November that they could claim an ERO Sunset Refund. If any member missed the notification, he/she may log on to Member Account Access within the TRS website. Once logged in, select "Available Refunds" on the left side navigation area to begin the ERO

### Active

Currently teaching and contributing to TRS.

### Inactive

Not retired. No longer teaching or contributing to TRS.

### Retired

Receiving pension from TRS. Annuitant.

Sunset Refund process.

There is no deadline for applying to TRS for an ERO Sunset Refund.

The Sunset Refunds are available because the Illinois General Assembly did not extend the Early

## Executive Director's Message

ERO *continued on page 3*



**Executive Director  
Dick Ingram**

### Winter town hall meetings planned

Shortly after I became the TRS executive director in 2011, I began a series of "Four Corner Tours" in Illinois and hosted more than 40 town hall meetings all over the state for our members, the media and the general public.

There were several reasons for those meetings. First, I wanted to get to know our members on a personal basis and I wanted to get to know the different regions of Illinois. I found that "the suburbs" and

"downstate" are terms that are too generic to adequately describe the rich diversity of Illinois and its people. This is a great state, with talented, energetic and caring people, wonderful cities and towns and abundant resources and opportunities.

Second, the tours were designed to help enhance the reality that TRS is here to serve you. During the tour, many members thanked me for simply showing up in their communities. They told me that it was the first time that a TRS executive director had ever ventured out of Springfield to discuss the status of TRS and the issues facing public pensions.



Director's Message *continued on page 2*

## Director's Message *continued from page 1*

Lastly, discussing – in person – the issues that faced public pensions in Illinois was of the utmost importance. My view will always be that our members deserve straight talk about what's going on in Springfield and how their futures may be altered.

The tours coincided with a lengthy public debate among state officials about how best to overhaul the Illinois Pension Code as a means to reduce the cost of the state's retirement promises. It was an uncertain time for all teachers.

To be frank, the discussions I had with TRS members were challenging. Many members were angry – I could not blame them – about proposals that could have greatly affected their futures in retirement.

Also, I provided members with a no-holds-barred, detailed look into the financial health of TRS at that time, explained the reasons why TRS carried the biggest unfunded liability in the country and offered a peek into what might happen in the future. Again, many members did not like what I had to say. But it was important that all TRS members understood what was occurring.

Those town hall meetings were a great success. They not only helped our members better understand TRS and the issues in front of us, but they also

helped me better understand our members' concerns and expectations.

And now – for the same reasons – it's time to take to the road again.

Throughout January and February of 2017, I'll be scheduling town hall meetings in every part of the state to give you an overview of the issues in front of TRS and to discuss your concerns.

Watch your email for more information about the 2017 TRS Four Corners Tour of Illinois. We'll be finalizing our plans shortly.

I look forward to talking with you about the current state of TRS and the outlook for public pensions in the future.

Finally, on behalf of all of us at TRS, have a happy, safe, productive and rewarding 2017!

Best Wishes,



Dick Ingram  
TRS Executive Director

## TRS Benefits Report Available Online for Active and Inactive Members

By Dec. 5, active and inactive members were emailed that their 2016 TRS Benefits Reports were available online. The report summarizes the following information about a member's TRS account: refundable contributions, beneficiary refund, beneficiaries, sick leave service, 2.2 upgrade information, reciprocal service, refunded service that may be reinstated, optional service, and active service as of June 30, 2016.

If you are an active or inactive member who has not provided your email address to TRS and you received this newsletter by mail, please visit <http://trs.illinois.gov> online. Then, set up an account under "Member Account Access" located on the far left side of the home page. You will need your member ID. If you do not know it, call us at (800) 877-7896 for your member ID. You will be able to view your TRS Benefits Report after signing in. Additionally, please enter your email address under

**Benefits Report** *continued on page 3*



the contact information in the secure area so you will receive future email alerts.

Recent payments and changes in outstanding balances that have occurred since the 2016 report was sent will be shown online. If you need to change your beneficiaries, visit the member forms area of our website and complete a Member Information and Beneficiary Designation (MIBD) form, which you can complete online. Please print out and mail the form to us and we will update your file. A new MIBD form replaces any former version on file with TRS. If you see an error on your reported service record or salaries, contact your

employer (school district) without delay to correct the problem. This information is reported by your employer on your behalf to us. It may be more difficult to correct an error if you wait until retirement.

Please call us if you believe your report has an error (other than salary or service credit), if you need an additional copy or if you have any questions about the content.

Reports are only sent to members who are not yet collecting a benefit. Annuitants do not receive TRS Benefits Reports.

**ERO** *continued from page 1*

Retirement Option during 2016. The law contained an automatic sunset date of June 30, 2016. While the law was extended several times by legislators, the use of the ERO program had declined substantially in the last few years.

TRS members eligible for a refund have three options available to them. They may:

1. Apply for a cash refund that will be mailed directly to them.
2. Apply for a withdrawal with the intention of “rolling over” the taxable portion of the refund into a qualified non-TRS retirement plan, such as a 401(k), 403(b) or an IRA.
3. Do nothing and leave the ERO contributions with TRS until a later date or retirement. Members can apply for a refund at a later date, but no interest will accrue if the ERO contributions are left with TRS.

Several issues should be considered when making an ERO Sunset Refund decision:

**Federal income taxes, early withdrawal penalties and unpaid state debts**

Mandatory federal income taxes will be withheld from all cash refunds at a rate of 20 percent. Members less than 59 ½ years old may also be subject to penalties for the early withdrawal of tax-deferred compensation from a qualified retirement plan. After a cash refund is received, the Illinois Comptroller’s Office will issue an Internal Revenue Service 1099-R form to members in the January following receipt of the refund.

Also, refunds that are not directly rolled over are subject to involuntary withholding as defined in the Illinois State Collection Act of 1986 (30 ILCS 210). The act covers unpaid debts that include delinquent child support, overpaid state unemployment benefits, delinquent state taxes, federal tax levies and delinquent student loans.

**Money owed to TRS**

TRS cannot accept a direct rollover of ERO contributions to pay off a member’s unpaid TRS account balance, such as payments due for a 2.2 Upgrade or the purchase of optional service credit.

**Administration of the refund or withdrawal**

A member’s decision regarding the ERO Sunset Refund is **irrevocable**. Once a refund or withdrawal application is submitted to TRS, it will be processed.

However, under federal law, any member receiving a cash refund – with taxes deducted – has up to 60 days to take that money and roll it over into a non-TRS retirement plan and avoid the payment of taxes and penalties on the money received.

TRS does not provide financial advice concerning which decision is best for any member. **Members are encouraged to contact a licensed financial advisor for advice.**

## TRS Trustee Candidate Petitions Available on TRS Website

The election of two active teacher trustees and one annuitant trustee to the TRS Board of Trustees is set for Monday, May 1, 2017.

All three seats up for election will fill four-year terms. Two trustees will be elected by active TRS members and one trustee will be elected by members who are annuitants.

To be nominated and placed on the ballot, prospective candidates must meet all eligibility requirements and collect and deliver to TRS a minimum of 500 eligible signatures as defined by state law.



Instructions for gathering signatures on the petitions, blank petitions and the Board of Trustee election rules are available as PDF files and can be found at [http://trs.illinois.gov/trustees/election/election\\_petitions.htm](http://trs.illinois.gov/trustees/election/election_petitions.htm) online.

Before circulating petitions, please carefully read the instructions. Completed and notarized petitions may not be returned to TRS prior to January 1, 2017 and must be returned to TRS no later than 4:30 p.m. on Jan. 30, 2017.

If you have any questions, please contact TRS **Administrative Services Manager Alice Kern** at [akern@trs.illinois.gov](mailto:akern@trs.illinois.gov).

## Trustee Laura P. Pearl Appointed by Gov. Rauner



**Laura P. Pearl**

In August, **Gov. Bruce Rauner** named **Laura P. Pearl** of Glenview to a seat on the TRS Board of Trustees that had been open since July. Her appointment carries a four-year term. Two appointed positions remain vacant.

Trustee Pearl is the managing director and chief financial officer of Longford Capital Management in Chicago. She previously served as managing director and chief financial officer of Ceres Venture Fund, LP. Trustee Pearl holds a bachelor's degree from the University of Illinois and a master's degree in business administration from the University of Chicago.

## Upcoming Board Meeting Dates

All meetings will be held at the TRS office in Springfield. The meetings generally begin at 1 p.m. on Wednesday and continue until Friday, if necessary. This schedule is subject to change. Board actions can be found at <http://trs.illinois.gov> online.

- February 15-17, 2017
- April 5-7, 2017  
Retreat TBD
- May 17-19, 2017
- June 21-22, 2017  
(tentative)

## TRS Board of Trustees

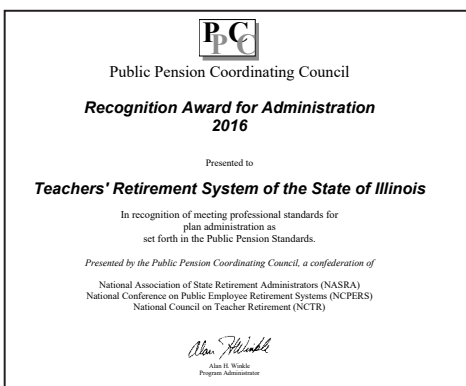
<b>Tony Smith, Ph. D.</b> President	<b>Ann S. Deters</b> Effingham	<b>Laura P. Pearl</b> Glenview
<b>Superintendent of Education</b> River Forest	<b>Andrew Hirshman</b> Oak Park	<b>Alexander D. Stuart</b> Lake Forest
<b>Cinda Klickna</b> Vice President Rochester	<b>Rainy Kaplan</b> Schaumburg	<b>Daniel Winter</b> Decatur
<b>Mark Bailey</b> Palos Park	<b>Bob Lyons</b> Hoffman Estates	<b>Randall S. Winters</b> Highland Park

Two appointed positions are vacant.

# TRS Receives Awards for Financial Reporting and Plan Administration

## Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TRS for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2015. This was the 27th consecutive year that the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government or government entity must publish an easily readable and efficiently organized *Comprehensive Annual Financial Report*. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current *Comprehensive Annual Financial Report* continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



## Public Pension Coordinating Council (PPCC) Recognition Award for Administration

TRS received the Recognition Award for Administration in 2016 in recognition of meeting professional standards for plan administration as set forth in the Public Pension Standards of the PPCC. The award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS) and the National Council on Teacher Retirement (NCTR).

## Don't Miss Information: Notify TRS When Your Address Changes

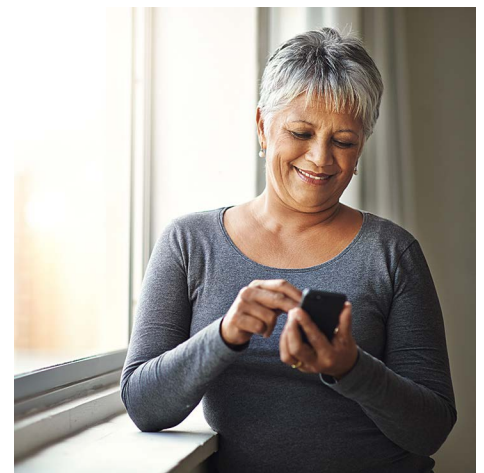
To ensure that all information about your benefits reaches you, please notify us each time your mailing address changes. You may call us or send us the following information in writing:

- your full name and the last four digits of your Social Security number;
- former street address, city, state, and ZIP;
- new street address, city, state, and ZIP; and your
- daytime telephone number.

## Are You Receiving Email Alerts from TRS Yet?

If you received this newsletter by "snail" mail, you are not receiving email alerts from TRS. If you did receive this newsletter by email, you are signed up for alerts and you don't need to take action.

To receive email alerts, email us, [members@trs.illinois.gov](mailto:members@trs.illinois.gov), using your "home" email address (not work) and include your full name/address/last four digits of your Social Security number or TRS member ID so we may quickly contact you about important TRS news. You can also sign in to TRS Member Account Access online and enter your email address under "Contact Information."



# Early 2017 Important Annuitant Tax and Payment Reminders

## Expect arrival of 1099-R

If you received a TRS benefit in 2016, the Office of the Comptroller will mail an IRS Form 1099-R to you by **Jan. 31, 2017**. This form will report your income received from TRS during 2016.

The amount shown in Box 5 on the 1099-R form represents the non-taxable portion of TRS retirement benefits paid to you for the year (see graphic below) and is the difference between Boxes 1 and 2a. Box 9B will only have a value if 2016 was the first year that you received a benefit from TRS.

If you do not receive a 1099-R form by Feb. 15, 2017 or you need a duplicate copy sent to you, please log in to the secure Member Account Access area. Annually after Feb. 1, you may request a duplicate 1099-R online for a prior year.

If you have not yet set up your online member account, please watch this video to learn how: <http://trs.illinois.gov/members/videos/acctAccess.htm>.

Your member ID is required to set up an account. All annuitants received their member cards with their member IDs in July 2014 via email or mail.

## Increase reflected on Feb. 1 check

TRS pays your monthly annuity in arrears. The check issued Jan. 1, 2017 is your payment for the month of December. Cost-of-living adjustment (COLA) increases, certain insurance premiums and federal tax withholding changes will be reflected on the check issued Feb. 1, 2017, which is your monthly annuity for January 2017.

The checks you receive in January and February may be for different amounts if the January 2017 benefit payment received in February reflects your annual 3 percent post-retirement increase. With some exceptions, recipients of monthly survivor benefits will also see a 3 percent increase. The

COLA increase is first effective on Jan. 1 following either your first retirement anniversary or your 61st birthday, whichever is later. TRS only sends a notification letter before your first COLA occurs. If you are not a new retiree, you may log in to the secure Member Account Access area to view your annual benefit amount changes. You may also view your monthly statements online in Member Account Access.

## Tax withholding tables may change

Revised federal income tax withholding tables may go into effect on Jan. 1, 2017. As a result, the federal taxes withheld from your Jan. 1, 2017 annuity payment may increase or decrease based on your filing status. TRS cannot give tax advice. You may wish to contact a qualified tax advisor or the Internal Revenue Service at (800) 829-1040 to ensure that you have adequate federal withholding for the 2017 tax year. If you are underwithholding, there could be a negative consequence at tax time.

If you would like to change your withholding election, you must complete a new Form W4-P. You may print a personalized Form W4-P online within the secure Member Account Access area after you have signed in. Additionally, you can obtain a new blank form by calling us at (800) 877-7896 and pressing the 24-hour Forms Order Line option and then selecting #600, by visiting <http://www.irs.gov/pub/irs-pdf/fw4p.pdf> for a blank Form W4-P or by calling your local Internal Revenue Service office. A new Form W4-P replaces any former version on file with TRS.

PAYER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		1 Gross distribution	OMB No. 1545-0119	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
		\$	2016	
PAYER'S federal identification number		2a Taxable amount	Form 1099-R	Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return. <b>Box 5</b>
RECIPIENT'S identification number		\$	Total distribution	
RECIPIENT'S name		3 Taxable amount not determined	4 Federal income tax withheld	This information is being furnished to the Internal Revenue Service. <b>Box 9b</b>
Street address (including no.)		Capital gain included in box 2	\$	
City or town, state, province, country, and ZIP or foreign postal code		5 Employee contributions / Designated Roth contributions or insurance premiums	6 Net unrealized appreciation in employer's securities	
		\$	\$	
10 Amount allocable to IRR within 5 years		7 Distribution code(s)	8 Other	
\$		IRA/SEP/SIMPLE	\$	
11 1st year of desig. Roth contrib.		9a Your percentage of total distribution	9b Total employee contributions	
FATCA filing requirement		%	%	
		12 State tax withheld	13 State/Payer's state no.	14 State distribution
Account number (see instructions)		\$	\$	\$
		15 Local tax withheld	16 Name of locality	17 Local distribution
		\$	\$	\$

Form 1099-R www.irs.gov/form1099r Department of the Treasury - Internal Revenue Service

# Window Opens to Re-establish Survivor Benefits by Repaying Refund

Annuitants who previously gave up their eligibility for a survivor benefit by taking a refund of TRS survivor benefit contributions can now repay that refund and re-establish a survivor benefit under a new law signed last summer by **Gov. Bruce Rauner**.

## Deadline of Dec. 28, 2017

**This reinstatement is optional.**

TRS annuitants eligible for this reinstatement window were notified in December by email or letter about their rights under the new law. These retirees have until Dec. 28, 2017 to notify TRS about their intent to re-establish a survivor benefit.

Under the new law which took effect in July, a retiree can repay the refund over time. The amount to be repaid will consist of the 1 percent payroll contribution paid by the member during his/her teaching career that specifically was designated for survivor benefits, plus interest. The total amount to be repaid is measured from the date the member received the refund until the date the member elected to repay the refund. The interest rate used in the calculation equals the actuarially-assumed rate of investment return used by TRS. That rate currently is 7 percent.

Before the enactment of this new law, once a retiree elected to receive a contribution refund, the decision was irrevocable.

All TRS members who took the survivor benefit refund in the past have a right to re-establish eligibility even if they do not have a dependent who would qualify to receive a survivor benefit.

## Repayment options

The repayment of survivor benefit contributions can be made either by:

- A one-time, direct rollover of tax-sheltered funds from a non-TRS retirement account to pay the entire balance;
- An equal monthly reduction from the member's retirement annuity over a period of 24 months or less;

- A combination of a rollover from a non-TRS retirement plan and a monthly deduction from a TRS annuity.



Once the member pays the refund back in full, the member's designated beneficiaries rights to receive survivor benefits will be re-established. If the annuitant dies before paying back the entire

refund, the amount the member repaid to date will be refunded to the member's designated beneficiaries, but no survivor benefit will be payable.

## Two survivor benefit types

Two survivor benefits exist, depending on the beneficiary's status:

1. Lump-sum survivor benefits may be paid to any person or entity, such as a trust. The benefit is the greater of: one-sixth of the member's highest salary rate in the last four years, the actual contributions made by the member for survivor benefits – not including interest – or a minimum of \$3,000.
2. Monthly survivor benefits are available only to a surviving eligible dependent. Dependents include:
  - A spouse or civil union partner to whom the member has been married or partnered for at least one year prior to death;
  - An unmarried natural or adopted child under age 18, or a child between the ages of 18 and 22 if the child is a full-time student in an accredited educational institution; or
  - An unmarried child of any age who is dependent by reason of a physical or mental disability and is claimed as a dependent on the member's federal income tax return.

Generally, the surviving dependent receives a monthly annuity of one-half of the member's gross retirement benefit at the time of death.



**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](mailto: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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TDD: (866) 326-0087

**Forms Order Line**

Toll Free: (800) 877-7896,  
press Forms Order Line option  
when prompted

**Topics & Report**

Published by the Teachers' Retirement System of the State of Illinois

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Layout: Jael Batty

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