



TOPICS & REPORT

Winter 2023

Teachers' Retirement System of the State of Illinois | trsil.org | Over 439,000 members

TRS Long-term Finances Are Stable Despite “Challenging” Year

Despite several “challenges” that continue to shake the economy and the investment markets, TRS finances remain stable — with the long-term financial outlook improving moderately for the second straight year. “The System’s improved funded ratio is a bright spot in a challenging investment year,” said **Stan Rupnik, executive director and chief investment officer of TRS.**

Now that the required external audit of the System’s finances in fiscal year 2022 has been completed by the Illinois Auditor General and the independent accounting firm, **FORVIS, L.L.P.**, here is the current status of TRS:

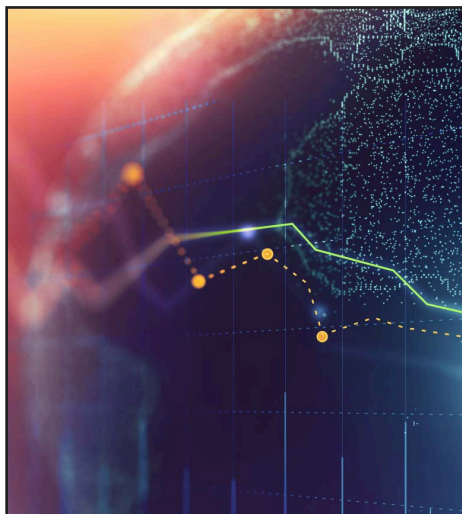
All benefits will be paid

TRS will continue to pay all future benefits that are due to our members. This year, TRS will pay close to \$8 billion in benefits on time and in full to more than 128,000 members and their families. Benefits paid in fiscal year 2022 totaled \$7.6 billion. Total revenue during the period was \$6.3 billion.

At the end of September 2022, TRS had \$60.7 billion in assets.

Long-term funded status improves moderately

The System’s funded ratio reached 43.8% at the end of fiscal year 2022. That is a positive increase of 1.3%



over the previous year’s funded status of 42.5% and the second year in a row that the funded ratio has inched up after several years of stagnation. In the last decade, the TRS funded ratio averaged 40.7%.

The funded ratio is important as an official measure of the System’s long-term fiscal health, but it is not a reflection of the System’s current financial ability to pay benefits.

The long-term funded ratio reflects the difference in the amount of money TRS has in assets against the amount of money the System needs to immediately pay all members the full amounts of benefits they are owed for the rest of time. Altogether, the System’s total long-term liability at the end of fiscal year 2022 was \$143.5 billion, a 3.3 percent increase over the previous year.

Rupnik said, “The TRS funded ratio improved this year primarily because of consistently positive investment returns over the last five years combined with steady state funding that for two years exceeded the statutory minimum.

Investment strategy protects member assets against market “volatility”

The conservative investment strategy employed by TRS protected member assets as much as possible in fiscal year 2022 and limited the System’s portfolio loss to -1.17% net of fees, a favorable rate of return compared to other public pension systems across the country.

This is the first time in 14 years that TRS investments did not record a positive return. Most large institutional investors like TRS lost money during fiscal year 2022.

The median return of large pension systems was -7.6%, according to **RVK, Inc.**, of Portland, Oregon, the TRS general investment consultant. RVK added that the median annualized investment return rate for all public pension systems was -9.3%.

“Due to the under-funded status of TRS, the System’s primary objective is to protect member assets against large market drawdowns caused by economic volatility, such as we have seen this year,” Rupnik said.

Finances *continued on page 2*



Long-term investment returns remain strong

Because TRS has relationships with its members for several decades, the System focuses its attention on its long-term investment return rate. At the end of fiscal year 2022, the 40-year rate of return was 9.3%, which bests the System's estimated long-term investment rate of 7%.

TRS certifies \$6 billion fiscal year 2024 state contribution

In December, the TRS Board of Trustees certified a \$6.04 billion state government contribution for

the System in fiscal year 2024, which begins in July.

The fiscal year 2024 state contribution is a 2.5% increase over the state's \$5.89 billion contribution for the current fiscal year. That's the smallest year-to-year increase in the state contribution in the last decade. During that period, the average annual increase in the state's appropriation for TRS averaged 6.7%.

"Over the last four years, a steady commitment by **Gov. JB Pritzker** and the General Assembly to appropriate the full statutory contribution for

TRS has helped bring more stability to the System's finances," Rupnik said.

The TRS Board is required each year to calculate and certify the state's annual contribution to the System for the next fiscal year. A preliminary fiscal year 2024 contribution calculated in October was reviewed by the State Actuary, **Cheiron, Inc.**, of McLean, Virginia, prior to final approval by TRS. The certified contribution is now forwarded to state officials for inclusion in the fiscal year 2024 state budget.

Trustee Carmen Ayala to Retire from TRS Board and ISBE in February 2023



Dr. Carmen I. Ayala

State School Superintendent Dr. Carmen I. Ayala, who has served as a TRS trustee since 2019, will retire in February from her positions at the State Board of Education and on the TRS Board.

Under state law, the state superintendent serves as an ex-officio member of the TRS Board. Dr. Ayala's replacement as a trustee will be the next state superintendent.

Trustee Ayala is the first woman and the first person of color to serve as the permanent state superintendent

in the office's 168-year history. She was nominated for the post in 2019 by **Gov. JB Pritzker**.

Prior to her appointment as state superintendent, Dr. Ayala served as superintendent at Berwyn North School District 98 in the Chicago suburbs. She began her career as a teacher in the Chicago Public Schools and then subsequently served in various classroom and administrative positions, including assistant superintendent and director of Bilingual Services in East Aurora School District 131; director at Community Unit School District 300 in Algonquin and assistant superintendent in Plainfield Community Consolidated School District 202.

Dr. Ayala's tenure as state superintendent coincided with the unforeseen and unprecedented worldwide COVID-19 pandemic, which became one of the most difficult and challenging periods ever for public education.

As part of the State of Illinois's coordinated response to the pandemic,

Dr. Ayala guided 2 million students and their families, more than 165,000 teachers and administrators, as well as 990 school boards in overcoming the numerous educational challenges created by the virus. She focused on health and safety, as well as the continuation of learning through a temporary transition from in-person classes to virtual connections. She also managed the gradual and safe reopening of school buildings.

Dr. Ayala took on a number of issues during her tenure, including a chronic statewide teacher shortage; a new state school funding formula; reform of standardized student testing and long-term challenges with equity and inclusion.

According to the most recent data, her policy achievements led to an 87.3% graduation rate in 2022 for Illinois high schools, the highest rate in 12 years and a success driven by gains among Hispanic American and African American students.

TRS Board of Trustees Election Scheduled for May 1, 2023

The next TRS Board of Trustees election is set for May 1, 2023 for three active teacher trustees and one annuitant trustee to serve for 4-year terms beginning July 15, 2023.

The election is conducted in accordance with the Illinois Pension Code and our board election rules.

Petition forms and instructions for nominating trustee candidates are available on the website at trsil.org/trustees/election.

Petitions must be filed with the System Jan. 1 - 31.



If the number of eligible nominees exceeds the number of open positions, online voting for the nominated candidates will be available in early April through 10 a.m. on May 1. To vote by electronic ballot, please ensure we have your valid email address on file. Paper ballots will only be mailed if we do not have your email address or you

request a paper ballot.

Please see our next newsletter for candidate profiles and more details about the election process.

TRS Welcomes New Chief Operating Officer and HR Director

In the last year, TRS has augmented its executive management with two new administrators who bring wide-ranging experience to the day-to-day operations of the System:



Chief Operating Officer
Gloria Lasley

In May, **Gloria Lasley** was named as chief operating officer of TRS. Her primary responsibilities center on the Member Services Department, Information Technology and Building Operations.

Gloria joins the System from the Illinois Department of Innovation & Technology, (DoIT) where she served as group chief information officer for government and public

employees. In that role, she helped manage IT services and initiatives across 19 state agencies and was responsible for the leadership and mentoring of a large internal staff as well as broad interaction with various external parties.

Prior to DoIT, Gloria served as the chief information officer and director of finance & fiscal operations at the Illinois Guardianship & Advocacy Commission. Gloria holds an Executive Data Science Specialization Certificate from Johns Hopkins University in Baltimore, Maryland, a master's degree in business administration from DeVry University in Naperville, Illinois and a Bachelor of Science degree in business administration and management from Loyola University of Chicago.

In November, **Michelle Kissel** became the director of human resources for the System. Her responsibilities cover the administration of the welfare, training, management and retention of existing staff members as well as the recruitment and onboarding of new staff.

Michelle joins TRS after nine years as director of human resources at HSHS Medical Group in Springfield. She also has served as director of human resources for Ball-Chatham Community Unit School District 5 and as director of human resources/staff education at the former Doctors Hospital in Springfield.



Director of Human Resources
Michelle Kissel

Michelle holds a Master of Science degree in human resources and industrial technology and a Bachelor of Arts degree in psychology and supervisory management from Purdue University in West Lafayette, Indiana.

Updated TRS Benefits Reports Online for Active and Inactive Members



In early December, active and inactive members were emailed that their TRS Benefits Reports from the past school year were available for viewing online on the TRS website.

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

Vested Tier 1 and Tier 2 members can view an estimate of their future retirement benefits. This estimate does not include any projected, reciprocal or pending service.

The report also summarizes the following information about a member's TRS account: service credit, refundable contributions, beneficiary refund, beneficiaries, sick leave service and 2.2 upgrade information. Recent payments and changes in outstanding balances will not be reflected on your report but will be shown in your online account.

If you need to change your beneficiaries, download your personalized Beneficiary Designation form by logging into your secure member account. Print out and mail the completed form or upload it online in the secure area and we will update your file. A new Beneficiary Designation 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 TRS. 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 questions about the content.

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 trsil.org. Select "Member Login" on the home page to begin creating your online account. You will need your Member ID. If you do not know it, call us at **877-927-5877 (877-9-ASK-TRS)**. You will be able to view your TRS Benefits Report after signing in. Additionally, please enter your email address under the contact information in the secure area so you will receive future emails from us.

Time Is Running Out to Purchase Private School Service Credit

The Illinois Pension Code allows a limited opportunity to purchase up to two years of service credit as a teacher or administrator in a recognized Illinois private school. Post-secondary institutions are not included. Retired members may not purchase this service. **You must apply for this credit on or before June 30, 2023.**

To qualify, you must have:

- been employed in a private school recognized by the Illinois State Board of Education,
- been certified as a teacher or administrator during the period of private school service,



Private School Service Credit *continued on page 5*

Private School Service Credit *continued from page 4*

- completed at least 10 years of contributing TRS service, and
- established at least one full-time salary following the private school service.

Call us at (877) 927-5877, Monday through Friday, 8:30 a.m. to 4:30 p.m., and request a Recognized Illinois Non-public Service Certification form if you are interested in applying for this service credit.

Early 2023 Important Tax Reminder for TRS Retirees

Expect Arrival Of 1099-R

If you received a TRS benefit in 2022, the Office of the Comptroller will mail an IRS Form 1099-R to you by Jan. 31, 2023. This form will report your income received from TRS during 2022.

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 5 does not represent the amount of your TRIP premiums for 2022. Box 9b will only have a value if 2022 was the first year that you received a benefit from TRS.

If you do not receive a 1099-R form by Feb. 16, 2023 or you need a duplicate copy sent to you, please log in to the secure Member Account Access area on the TRS website. After Feb. 16, you may request a duplicate 1099-R online for a prior year. A duplicate is mailed by the Illinois Comptroller's Office and it will take up to 10 business days for you to receive.

If you have not yet set up your online member account, please watch this video to learn how: [trsil.org/videos/accessing-your-trs-member-account-online](https://trs.il.gov/videos/accessing-your-trs-member-account-online). Your Member ID is required to set up an account.

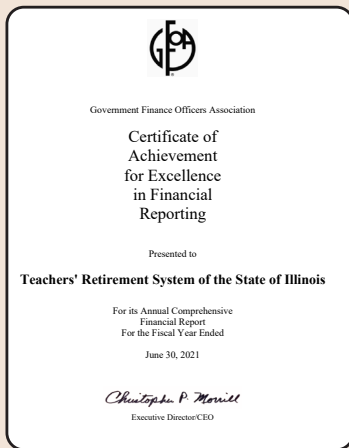
<input type="checkbox"/> CORRECTED (if checked)					
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.			1 Gross distribution		OMB No. 1545-0119 2022 Form 1099-R
			2a Taxable amount		
			2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>
PAYER'S TIN		RECIPIENT'S TIN		3 Capital gain (included in box 2a)	4 Federal income tax withheld
				\$	\$
RECIPIENT'S name Street address (including apt. no.) City or town, state or 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
			\$		\$ Box 5
			7 Distribution code(s)	IRA/ SEP/ SIMPLE <input type="checkbox"/>	8 Other
				\$	%
			9a Your percentage of total distribution	%	9b Total employee contributions
				\$	\$ Box 9b
10 Amount allocable to IRR within 5 years	11 1st year of desig. Roth contrib.	12 FATCA filing requirement <input type="checkbox"/>	14 State tax withheld	15 State/Payer's state no.	16 State distribution
\$			\$		\$
Account number (see instructions)			13 Date of payment	17 Local tax withheld	18 Name of locality
				\$	\$
					19 Local distribution
					\$

Form **1099-R** www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

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.

This information is being furnished to the IRS.

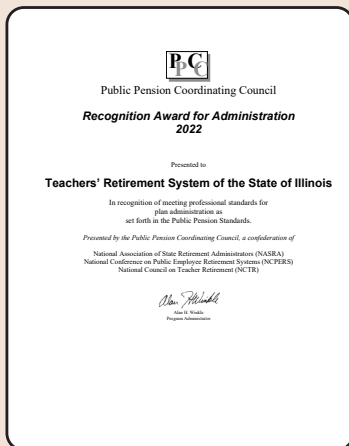
TRS Receives Awards for Financial Reporting and Plan Administration



Certificate of Achievement for Excellence in Financial Reporting

TRS's annual comprehensive financial report for the year ended 2021 was awarded the Certificate of Achievement for Excellence in Financial Reporting by Government Finance Officers Association of the United States and Canada (GFOA). This was the 33rd consecutive year that the System has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to 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 2022 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).

Update: TRS Supplemental Savings Plan



The new TRS **Supplemental Savings Plan (SSP)** continues to grow as it crosses its one-year anniversary in January.

Through the middle of December, more than 900 active TRS members have voluntarily enrolled and contributed more than \$2.75 million to their

individual 457(b) deferred compensation savings accounts.

More than 93% of the 983 Illinois school districts and other employers with TRS members eligible to participate have formally agreed to administer the payroll deductions for those enrolled in the SSP.

Voya Financial, of New York, will administer all SSP accounts and TRS will continue to oversee each participant's separate defined benefit (DB) pension.

When SSP participants retire and start to receive their monthly TRS

pensions, they may also draw on the money they've saved in their SSP accounts*. The SSP will not replace the pension of any TRS member.

SSP participants can elect the amount they want to contribute per paycheck in whole dollar increments or in whole percentage increments, subject to a minimum of \$30 or 1% per pay period on a pre-tax or Roth after-tax basis. They can change their contribution rates at any time. And they choose how to invest their

** Investments are subject to market fluctuation and involve risk, including loss of principal.*

SSP continued on page 7

money from any of the options made available by TRS. Participants can change their investment choices at any time.

Who can participate?

Active TRS members who are full-time or part-time contractual employees are eligible for the SSP. A TRS employer must adopt the SSP for their employees to be eligible to participate. **Retired and inactive TRS members are not eligible for the SSP.**



Voluntary enrollment vs. Automatic enrollment

Voluntary: To enroll in the SSP, TRS members first employed in a TRS-covered position before Jan. 1, 2023 must contact Voya through the TRS SSP participant website at trsilssp.voya.com or via the toll-free TRS SSP Service Center at **844-877-4572 (844-TRS-457B)**.

Automatic: TRS members (new or rehired) first employed in a TRS-covered position on or after Jan. 1, 2023, as reported by their employer, will be automatically enrolled in the SSP.

How can I find out more about the SSP and register?

Interested TRS members who are eligible to participate are encouraged to visit the TRS SSP participant website at trsilssp.voya.com.

Your SSP account

Participating TRS members can access their accounts online through the TRS SSP participant website at trsilssp.voya.com or via the toll-free TRS SSP Service Center at **844-877-4572 (844-TRS-457B)**.

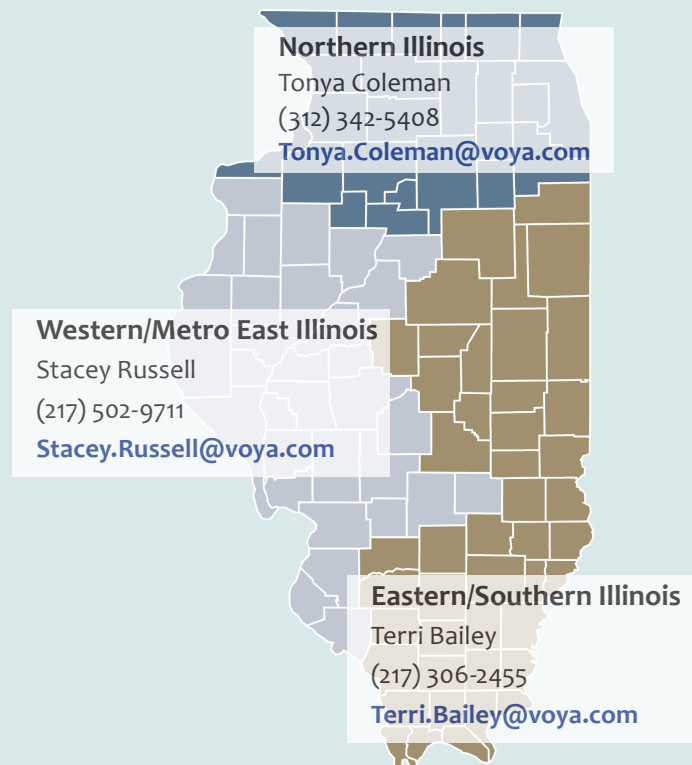
Connect with Your Local TRS SSP Representatives

TRS and Voya have three representatives to specifically help eligible members learn more about the SSP, including:

- Education regarding the SSP enrollment assistance
- Education regarding consolidation of retirement accounts.

Note that a representative cannot give investment advice or monitor member accounts.

To schedule a virtual appointment with a local representative, go to <https://trsssp457b.timetap.com>.





TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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Springfield, Illinois 62794-9253

Winter 2023 Topics & Report

Annual Financial Report Summary Insert



Go Green!

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

Office locations

2815 W. Washington St.
Springfield, IL
62702-3397

4200 Commerce Ct.
Ste. 101
Lisle, IL 60532-3611

Phone numbers

Toll free: 877-927-5877 (877-9-ASK-TRS)
TDD: 800-526-0844 (or 711)

Mailing address for both TRS locations

P.O. Box 19253, Springfield, IL 62794-9253

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