



Pension Update
Cinda Klickna
Rushville
August 10, 2017

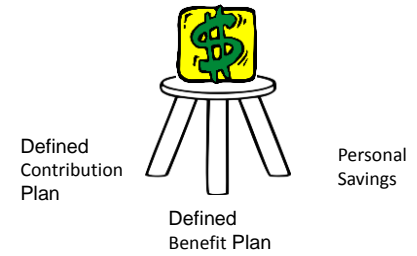


 **Teachers' Retirement System**

- Purpose
 - Created in 1939
 - Illinois Teachers outside Chicago
 - TRS provides its members with retirement, disability, and survivor benefits
- FY 2016 Membership
 - Active Members – 159,735
 - Inactive members – 129,470
 - Annuitants/Beneficiaries – 117,650
 - Oldest Retiree – 107 (as of June 30, 2016)
 - Oldest Active – 79 (as of June 30, 2016)



Retirement





Defined Benefit (DB) v. Defined Contribution (DC) Plans

DB -- GUARANTEED

Like TRS, SERS, Traditional SURS and IMRF

- The benefit is defined (2.2% x Final Avg. Salary x years of service for TRS).
- All the contributions are pooled.
- The assets are collectively managed.
- **The risk is borne by the employer, 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.**



Tier One Member



Tier One

Any teacher with service with TRS or any other reciprocal system before Jan. 1, 2011.



Contributions

- Employee Contribution to TRS – 9.0%
 - 7.5% - Pension
 - 0.5% - Post-retirement Increase
 - 1.0% - Death/Survivor Benefits
- TRIP* Contribution – 1.18%
 - * TRIP to State health care fund



Basic Benefits

- **Benefit Formula**
 - 2.2% for all years of service after July 1, 1998
- **Calculation**
 - Final Average Salary times Years of Service times 2.2%
 - Max. Benefit – 75% of Final Average Salary with 34 years of service
- **Post-retirement Increase** – 3% compound interest Jan. 1 after one year in retirement and after age 61



Basic Benefits in Tier One

- **Service Credit**
 - Automatic IL teaching (170 days = 1 year)
 - Out-of-system public school service
 - Substitute/Part-time teaching before July 1, 1990
 - Military/Peace Corps
 - Leaves of Absences
 - Unused & Uncompensated Sick Leave Accumulation
- **Call TRS for forms**



Tier 2 versus Tier 1 Benefits

Tier 2: Any member hired after Jan. 1, 2011 and who had no previous service with TRS or any other reciprocal system.

Major Differences	Tier 1	Tier 2
Normal Retirement Age	60 years/35 years of service	67 years
Vesting Period for Monthly Benefit	5 years	10 years
Final Average Salary	Average of the highest 4 consecutive years	Average of the highest 8 consecutive years
COLA or Post Retirement Increase	3% compounded	3% or ½ of the CPI whichever is LESS
TRS Contribution	9.0%	9.0%
Number of Active Members, 6/30/16	133,498 (83%)	26,186 (17%)



Optional Tier 3 (SB 42) Created

- Hybrid plan – Defined Benefit (DB) plus Defined Contribution (DC)
- **Optional** to new hires and Tier 2 members
- Implementation Date – **Unknown**
 1. Reviewed/Approved by IRS
 2. TRS Board will set final date
- Employer Cost
 1. DB – 2% initially the State then 2% plus an Actuarial Cost, if any, by School District
 2. DC – 2-6% by the School Districts



Tier 2 versus Optional Tier 3

Major Differences	Tier 2	Tier 3
Normal Retirement Age	67 years	67 years
Vesting Period for Monthly Benefit	10 years	10 years
Final Average Salary	Average of the highest 8 consecutive years	Average of the highest 10 consecutive years
COLA or Post Retirement Increase	3% or ½ of the CPI whichever is LESS	½ of the CPI
TRS Member Contribution	9.0%	6.2% then Normal Cost
Pension Formula	2.2% for each yr. of creditable service	1.25%
Defined Contribution Component	None	Member = Min. 4% Employer = 2%



TRIP Overview

- 8 years of service to be eligible
- Operated by Illinois Department of Central Management Services
- Managed care plans (75% subsidy), PPO/Major Medical/Teachers' Choice plan (50% subsidy) & Medicare Advantage plans (75% subsidy)
- All plans contain a Prescription Drug Program
- Enrollment:
 1. When you apply for monthly pension benefits
 2. When you turn 65
 3. When coverage is terminated by former plan
 4. During Benefit Choice Period if never enrolled



TRIP

Teachers Retirement Insurance Program

Medicare Advantage (TRAIL)

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

Non Medicare Advantage

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

Open Enrollment Period for Medicare Advantage – Mid-Oct. to Mid-Nov.

* CMS



TRIP Statistics Feb. 2017

Teachers Retirement Insurance Program

Medicare Advantage (TRAIL)

- Total number of participants – 76,029* (38,446 in FY 2000)
- Medicare Advantage Members – 51,455*
- Non Medicare Adv. Members – 25,147*

* CMS



My Benefits Marketplace



- Allows members to change carriers during open enrollment
- Add/Drop Dependents mid-year
- Correct certain personal information

Phone – 8 am-6 pm, Monday-Friday – **844-251-1777 (toll free)**
 Online – **MyBenefits.Illinois.gov**



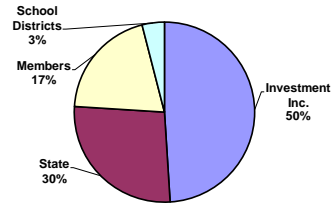
TRS Investments

37th Largest Pension Fund in the US

1. Portfolio managed by top quality asset managers and overseen by professional investment staff at TRS.
2. Diversified portfolio reduces risk.
3. Exhaustive studies of investment portfolio conducted every three years to anticipate market trends, calculate risk and return assumptions, and make adjustments if necessary.



TRS Revenues



Twenty-year composite of sources of total income from FY 1996 to FY 2015

* Excludes POBs



Investment Results, FY 2014

Period Ending June 30, 2014

- One year: 18.1%
– Benchmark: 16.4%
- Three years: 10.7%
– Benchmark: 10.3%
- Five years: 13.9%
– Benchmark: 12.5%
- Ten years: 7.8%
– Benchmark: 7.3%

Market value of assets:
\$45.4 billion

* Gross of Fees

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



Investment Results, FY 2015

Period Ending June 30, 2015

- One year: 4.6 %
– Benchmark: 4.6%
- Three years: 11.9%
– Benchmark: 11%
- Five years: 12 %
– Benchmark: 11.2%
- Ten years: 7.2%
– Benchmark: 6.8%

Market value of assets:
\$46 billion

** Gross of Fees*

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



Investment Results, FY 2016

Period Ending June 30, 2016

- One year: 0.7 %
– Benchmark: 2.4%
- Three years: 7.5%
– Benchmark: 7.6%
- Five years: 7.4%
– Benchmark: 7.5%
- Ten years: 6.0%
– Benchmark: 5.9%

Market value of assets:
\$44.7 billion

** Gross of Fees*

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



Investment Results*

Period Ending March 31, 2017



- FYTD: **9.40%**
- CYTD: **4.18%**
- 3 year: **6.42%**
- 5 year: **8.78%**
- 10 year: **5.70%**

Total Assets: \$47.3 billion

**Gross of Fees*



Constitutional Protection

- Two provisions in Illinois Constitution
 - Contracts Clause
 - Pension Right 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



- *Kanerva v. Weems* -- Supreme Court ruled 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 **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.”



Pension Proposals on the Table

- **Consideration Model**

- **Option 1:**

- ✓ Trade the current 3% compounded Tier I COLA for the Tier II COLA. In return, all future salary increases will be "pensionable"
 - ✓ Lower contribution rate; &
 - ✓ 10% consideration payment refund

- **Option 2:** Keep the 3% COLA, but all future salary increases will be "non-pensionable"

- **Voluntary DC plan** for 5% of participants

- **Voluntary Lump Sum Payments** -- In lieu of a retirement annuity, a lump sum accelerated pension benefit payment equal to 70% of the present value of the retirement annuity.



Contact TRS Information

- **Email** -- members@trsil.org

- **Member Services: 877-927-5877**
 - 7:30 a.m. to 4:30 p.m. – Mon., Wed., Fri.
 - 7:30 a.m. to 5:00 p.m. – Tues. and Thurs.

- **Web page** – <https://www.trsil.org>
 - Online videos/Hot Topics audio
 - Newsletters and Bulletins
 - Booklets, Brochures and Forms

- Also on **Twitter** and **Facebook**
