

# TRS Update IRTA Meeting Ashton Place March 7, 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)



# TRS Economic Impact Study

May 2015



- 89,817 of benefit recipients in Illinois (80% of total)
- \$3.8 billion in pension benefits to those who live in Illinois
- \$5.584 billion in Total Output
  - ✓ TRS Payments
  - ✓ Salaries earned in those jobs
  - ✓ Increase in the state's Gross Domestic Product
- More information --  
<http://trs.illinois.gov/pubs/PUB09.pdf>



# General Assembly Action

K-12 Budget Passed including State contributions to TRS

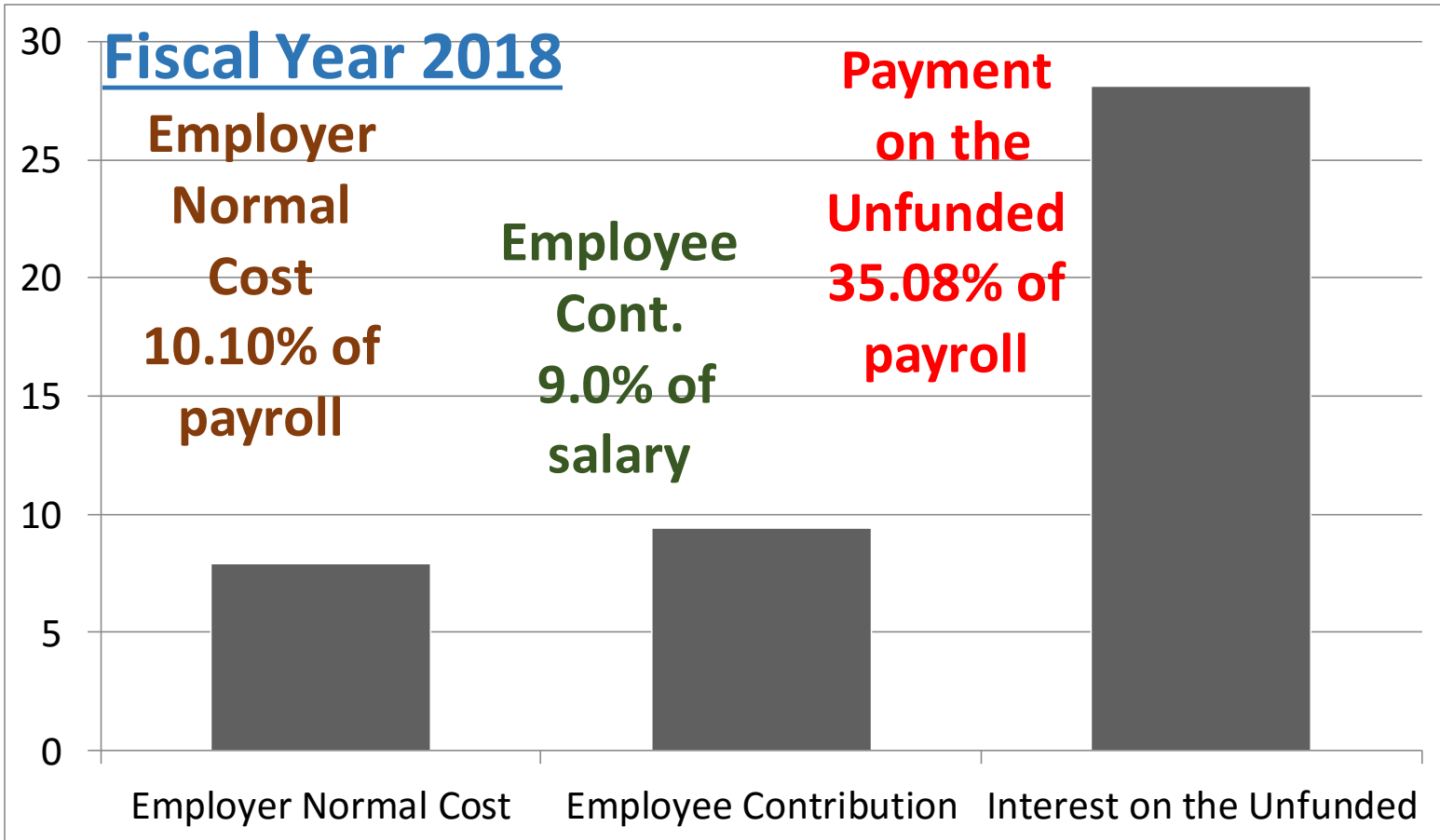
ERO Not Extended – **Expired** on June 30, 2016

- No impact on retirees
- Active teacher's contributions – Reduced from 9.4% to 9%
- Refund of actives'/inactives' contributions since July 1, 2005
  - ✓ Refund applications will be available mid-November to mid-December 2016
  - ✓ Three choices – **Irrevocable**
    1. Cash – 20% IRS, 10% Early Withdrawal
    2. Rollover to non-TRS retirement plan – 401K, 403b, IRA, etc.
    3. Default -- Leave with TRS but no interest.
- Please don't call TRS seeking an estimate.

More information – Topics & Report --  
<https://trs.illinois.gov/pubs/topics/summer16.pdf>

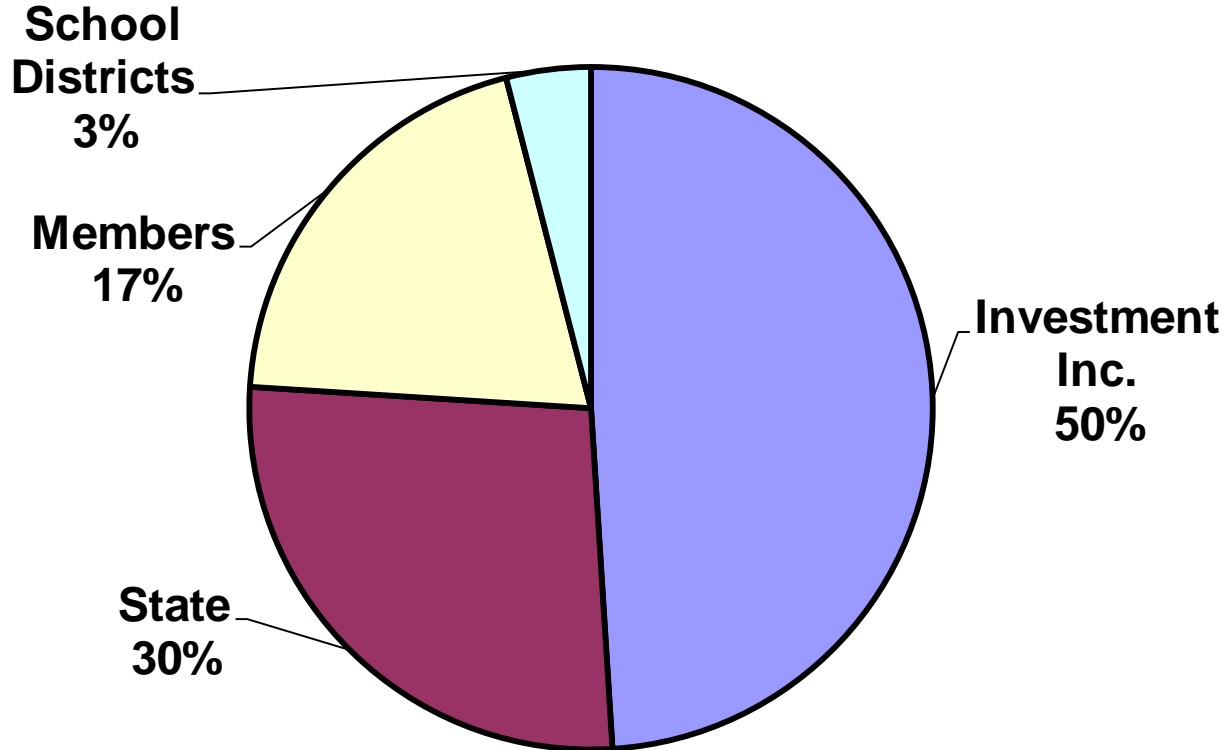


# Shared Costs – Employer/Employee





# TRS Revenues



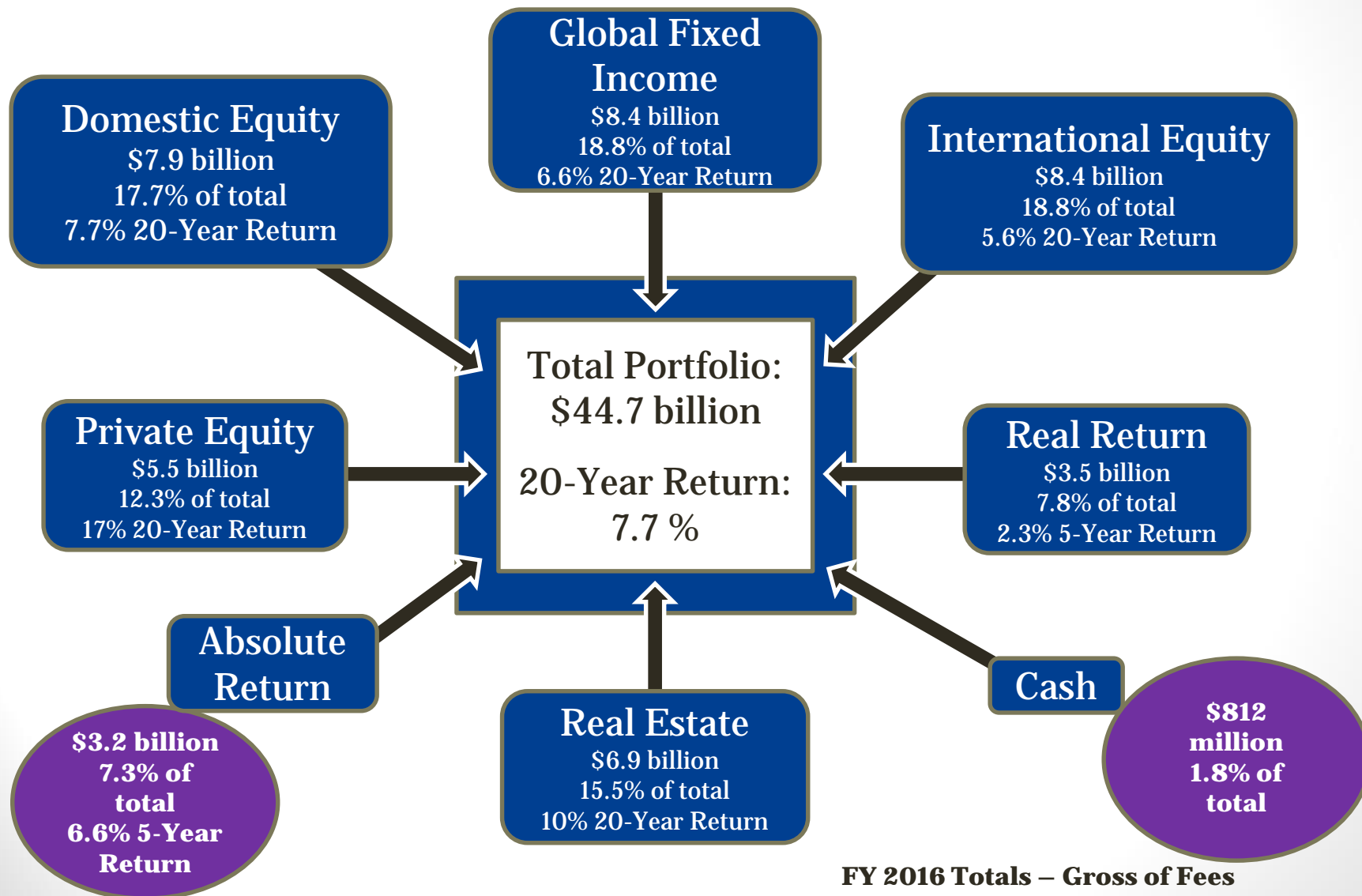
**Twenty-year composite of sources of total income  
from FY 1996 to FY 2015**

\* Excludes POBs



# TRS Investments

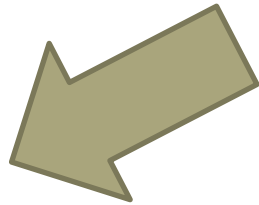
*A diversified portfolio is key to steady long-term growth*





# 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*

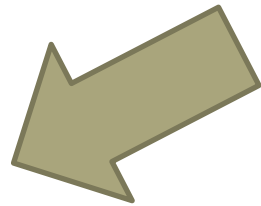
Long-term performance remains strong and is more important than short term results.





# 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**

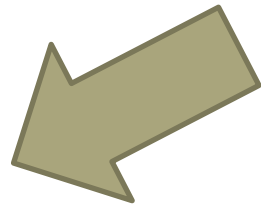
\* *Gross of Fees*

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**

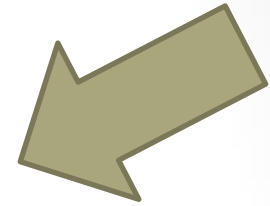
\* *Gross of Fees*

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



# Investment Results\*

Period Ending December 31, 2016



- **FYTD:** **5.01%**
- **CYTD:** **8.33%**
- **3 year:** **5.88%**
- **5 year:** **9.53%**
- **10 year:** **5.55%**

**Total Assets: \$46.0 billion**

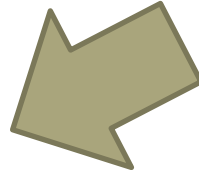
**\*Gross of Fees**



# TRS Investments

TRS Investments \* are On Target

•**30-year Return +8.2%**



- 2016 Return +0.1%
- 2015 Return +4.0%
- 2014 Return +17.4%
- 2013 Return +12.8%
- 2012 Return +0.76%
- 2011 Return +23.6%
- 2010 Return +12.9%
- 2009 Return **-22.7%**
- 2008 Return **- 5.0%**

The *actual* rate of return determines cost.

The *target* rate of return in the actuarial model determines who pays those costs:

- Too Low – Current taxpayers pay too much
- Too High – Future taxpayers pay too much

\* Net of Fees



# Financial Condition

All State Retirement Systems  
Assets at Actuarial Value/With Asset Smoothing  
Public Act 96-0043  
FY 2016

System	Funded Ratio
Teachers' Retirement System	39.8 %
State Employees Retirement System	34.3%
State Universities Retirement System	43.2%
Judges Retirement System	34.2%
General Assembly Retirement System	14.0%



# Projected State Contributions

All State Retirement Systems Combined  
Projected Total State Contributions for FY 2016-FY 2019  
Projections Based on June 30, 2016 Actuarial Valuations

	FY 2017	FY 2018	FY 2019	FY 2020
State Revenues	31.0 <sup>1</sup>	31.7 <sup>2</sup>	32.3 <sup>2</sup>	33.0 <sup>2</sup>
Reg. Pension Contributions <sup>3</sup>	7.9	8.9	9.2	9.5
	<b>25.5%</b>	<b>28.0%</b>	<b>28.4%</b>	<b>28.7%</b>

1 COGFA, Nov. 2016 Estimates

2 COGFA 3-yr Avg. Growth Rate of 2.1%

3 COGFA March 2016 Pension Report



# 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, 6/30/15	124,378 (78%)	35,306 (22%)



# Health Insurance History

- **Prior to January 1, 1980** – Only local district plans for health insurance for their retired teachers.
- **January 1, 1980** – TRS authorized to develop statewide retired teachers health insurance program. 50% subsidy of premiums with “excess revenues” of TRS.
- **July 1, 1991** – Subsidy increased from 50% to 75%.
- **1993** – TRS management notifies TRS trustees and Governor of funding shortfall and change in federal law, prohibiting the spending of retirement investment income for any other
- **July 1, 1995** – TRIP program (statewide) authorized to begin July 1, 1996 with a 50% subsidy for most participants.





# TRIP Update

- 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 Statistics Feb. 2017

## Teachers Retirement Insurance Program

**Medicare Advantage  
(TRAIL)**

**Non Medicare Advantage**

- 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

## Partnership with CMS

- Start Date – Sept. 30, 2016
- Received Postcard
- Received Letter with more information

## On-line Enrollment Platform

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

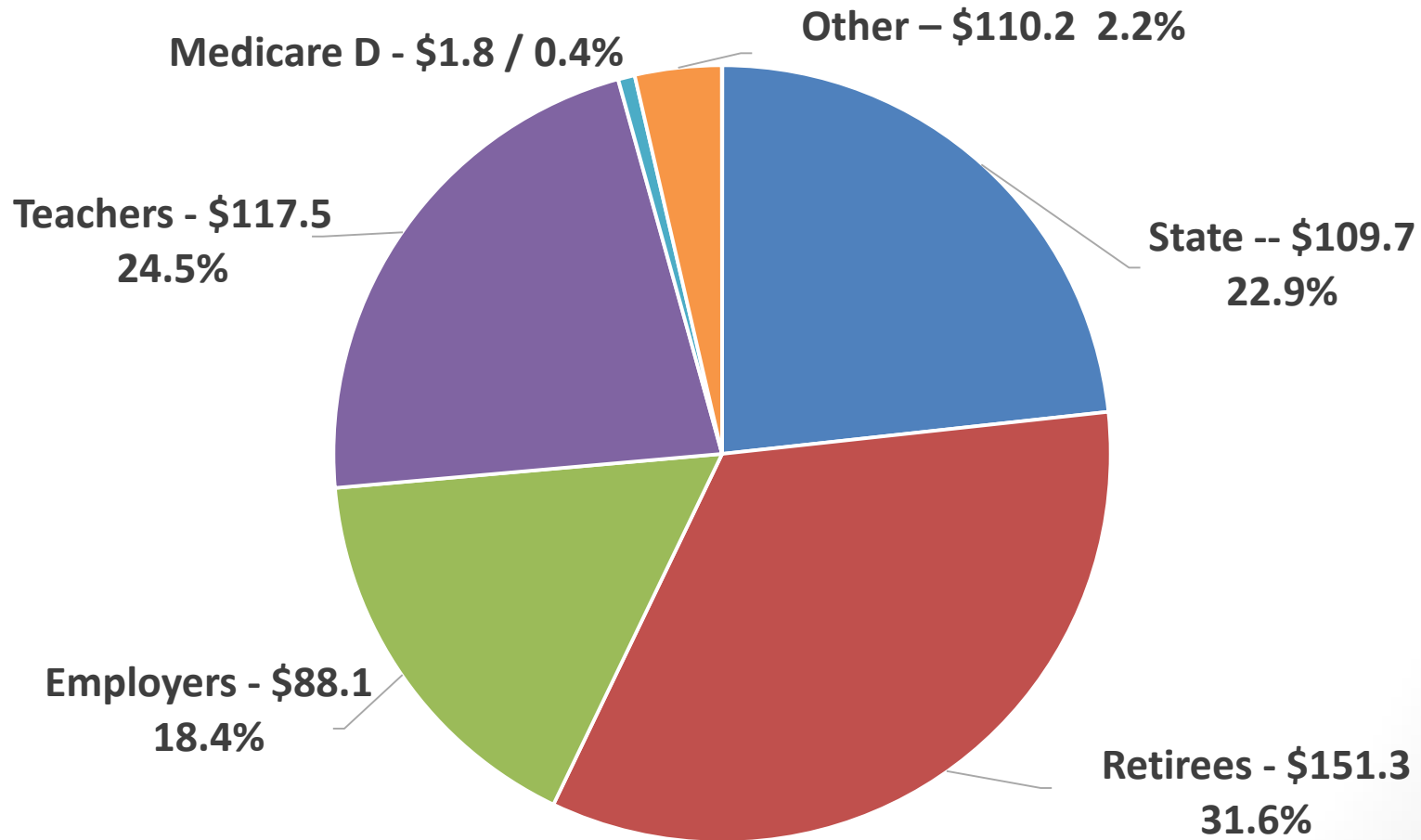
## Online or by Phone

- Online 24/7  
MyBenefits.Illinois.gov
- Phone – 8 am-6 pm, Monday-Friday – 844-251-1777 (toll free)



# TRIP Revenue FY 2017\*

## \$478.7 in Millions



\*CMS Feb. 2017

Let's Compare Some Benefits	Non - Medicare Advantage Eff.7/1/16	Medicare Advantage Eff. 1/1/17
PPO – Annual Medical Deductible	\$500	\$250
PPO – Annual Out of Pocket (Member)	\$1,200 in network \$4,400 out of network	\$1,000
PPO – Doctor's Visit (in network)	80% after deductible You pay 20%	80% after deductible You pay 20%
PPO – Cost* per month	\$554 – under 65 \$220 – over 65	\$55
HMO – Annual Medical Deductible	\$0	\$0
HMO – Annual Out of Pocket	\$3,000	\$3,000
HMO – Doctor's Visit	\$20 copay	\$20 copay
HMO – Cost* per month	\$235 – under 65 \$93 – over 65	Under \$50

\* See cost chart for more information



# Pension Lawsuit

## What Happens Now??



- SB 1 CCR – Signed by the Governor, Dec. 5, 2013 –PA 98-0599
- All 5 pension lawsuits were consolidated in Sangamon County
- Circuit Court ruled & granted a permanent injunction, 11/21/14
- Illinois Supreme Court ruled **unconstitutional**, 5/8/15
- AG decided NOT to appeal thru Federal Judiciary, 9/9/15



# 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.**”*



# Supreme Court 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 Overhaul Proposals

## “Grand Bargain”

- Senate President John Cullerton and Senate Minority Leader Radogno proposal -- that they argue would legally bypass the Illinois Constitution and reduce pension benefits for active Tier I members.

## Consideration

- **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”



# Pension Overhaul Proposals

## “Grand Bargain”

### Other Choices

- 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
- Supporters of the plan say it supersedes the Pension Protection Clause because active members will have a “choice”
- The attorneys that successfully challenged Senate Bill 1 disagree:
  - *“...the Cullerton proposal would force upon pension system members a choice between two diminishments of their constitutionally protected pension rights. The fact that a “choice” is offered does not matter. Either “choice” would be a pension diminishment...”*



# Revenue Proposals

- Increase the Income Tax Rate
- Expand the Sales Tax Rate to Cover more Services
- “Re-amortize the debt” – Martire
- Shift Pension Costs to local school districts
  - Normal Costs, Over a period of years
  - 6% to Consumer Price Index
  - Over \$140,00
- Tax Retirement Income
  - Above a base level
  - All Retirement Income – 401k, Social Security, etc.





# Tax Teacher Pension 2010 Data

## No Tax States

AK, FL, NV, SD, TX,  
WA, WY

## State Exemption

AL, HI, MS, PA, **IL**

## Same State Exemption

KA, LA, MA, MI, NY

## No Exemption

CA, CT, ID, IN, MN,  
NE, NM, ND, RI, VT,  
VA

Some Exemption  
Remaining 20 States



# Simon Institute Poll

The Climate of Opinion in Illinois 2008- 2016: Roots of Gridlock  
June 2016

Cuts	Raise Revenue	Both	Other
47%	10%	33%	10%

Program Cuts	
State Pension Benefits	49%
State Universities	35%
Public Safety	26%
Programs for the Poor	25%
K-12 Education	25%
Programs for Disabled	15%



# Simon Institute Poll

The Climate of Opinion in Illinois 2008- 2016: Roots of Gridlock  
June 2016

Raise Revenue	Favor	Oppose	?
Restore Temp. Income Tax	32%	64%	4%
Expand Gaming	50%	46%	4%
Raise Sales Tax	18%	79%	3%
Expand Sales Tax to Services	45%	52%	4%
Tax Retirement Income	22%	73%	6%
Tax Retirement Income Above \$50 K	54%	41%	6%
Enact Graduated Income Tax	66%	28%	6%
Enact Millionaire Tax	75%	23%	2%



# Member Account Access

## How to Set up Your Member Account Access

<http://trs.illinois.gov/members/videos/acctAccess.htm>

- Go to TRS Home screen, *Member Account Access box* (upper left hand corner)
- *From the Member Account Access box, Click on Create an Account* from pull-down menu, then Click on New User
- Add the following:  
Social Security Number, Birth Date & Member ID from recent letter or email
- Hit Submit and follow the instructions. You'll create a personal User ID for this account.

Actives: ERO Refund, Benefit Estimate, Contact Information, Beneficiary Information form, Service Record, TRS Benefit Report, Member ID card, etc.

Retirees: Contact Information, **Earnings Statement ("pay-stub")**, **Deductions**, a TRS income verification letter, Member ID card, etc.



# Contact TRS Information

- Email -- [members@trs.illinois.gov](mailto:members@trs.illinois.gov)
- Email updates list -- [members@trs.illinois.gov](mailto:members@trs.illinois.gov)
- Member Services: **(800) 877-7896** 
  - 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
  - Online videos/Hot Topics audio
  - Newsletters and Bulletins
  - Booklets, Brochures and Forms
- Also on Twitter and Facebook