

# TOPICS & REPORT

Teachers' Retirement System of the State of Illinois  
Spring 2017



## Director's Message: Town Hall Meetings Gratifying and Humbling

It is both humbling and gratifying for me to go on the road and meet our members face-to-face.

In February, I completed a seven-stop “Four Corners Tour” of Illinois, talking with our members in town hall-style meetings.

Altogether, more than 2,600

members along with their spouses and family came to hear me discuss where TRS stands right now in the world.

We spoke to engaged and interested crowds in Marion, Collinsville, Springfield, Moline, Grayslake, Wheaton and Palos Hills. We discussed sobering realities and what TRS is doing to meet the challenges we face.

These town hall meetings are always gratifying because I hear so many positive off-the-cuff comments and “thank yous” about what a good job our staff at TRS is doing every day for our members. I pass those thoughts on to our staff, who always appreciate the feedback.

But at the same time, the meetings are humbling. The interest of those in attendance, the questions they ask and the issues they want to discuss underscore the deep responsibility that I – and all of us at TRS – have to do our best for you every day.

Seeing your faces and hearing your concerns in person brings a needed dose of reality to our daily tasks in operating one of the largest public pension systems in the United States. All of the little problems and bureaucratic set-backs that surface every day become more manageable when we remember the bottom line: We’re working for each and every one of you and your well-being is of paramount importance to us.

Not a day goes by that I don’t recall a conversation from the tour or use a comment from someone I met at Marion High School, the DuPage County Center or any of the other stops to motivate or illustrate a point. And at times my



Executive Director Ingram speaks in Palos Hills.

discussions with you have helped set a course of action at TRS or brought clarity to an unresolved situation.

The town hall meetings – and there will be more in the future – help me remember that TRS is more than just a well-run retirement system. TRS is more importantly a vital component in

your lives – literally a safety net for your futures. It’s our job to do all we can to keep that net firmly in place.

And that’s a responsibility we will never take lightly.

Best Wishes,

A handwritten signature in blue ink, appearing to read "D. Ingram".

TRS Executive Director Dick Ingram

A video of Director Ingram’s Town Hall presentation is available for viewing on [http://trs.illinois.gov/contact/special\\_meetings.htm](http://trs.illinois.gov/contact/special_meetings.htm) on the TRS website.

### Ingram appointed NIRS President

TRS Executive Director Dick Ingram has been named the Board President of the National Institute of Retirement Security, a leading nationwide research and education organization. The mission of NIRS to contribute to informed policy making by fostering a deep understanding of the value of retirement security to employees, employers and the economy as a whole.

Director Ingram also serves on the Executive Committee of the National Council on Teacher Retirement, the Advisory Board of the Toigo Foundation and the Africa Institutional Investors Advisory Council. He is an active member of numerous other pension and investment organizations.

## Two Active Member TRS Trustee Seats to be Decided on May 1, 2017

An election will be held on May 1, 2017 to fill two active teacher seats on the TRS Board of Trustees.

Eligible voters are actively working TRS members as of March 1, 2017.

Active members who have a valid email address on file with TRS will receive a notice in early April informing them that they may begin casting their votes through their TRS secure online accounts. Active members who do not

have a valid email on file with TRS or do not have a web account established will receive a paper ballot in the mail at their home address. Paper election ballots will be mailed in early April. All ballots – electronic or paper – must be completed and received by TRS no later than 10 a.m. on May 1, 2017.

The candidates vying for the two seats, in alphabetical order, are **Mark Bailey**, **Frank J. Biga III**, **Rainy Kaplan**, and

**Fred Peronto.** Biographies for the candidates follow.

By state law, six members of the 13-member Board are elected by TRS members – four by active teachers and two by annuitants. Six trustees are appointed by the governor. All trustees serve staggered four-year terms. The State Superintendent of Schools serves as the president of the Board and is the 13th trustee.

### Active Member Board of Trustees Candidates



#### Mark A. Bailey

For the last four years, I have served as an active elected trustee on the TRS Board of Trustees. I am seeking re-election to the TRS Board for a second term. I want to continue my work

to provide a secure retirement for TRS members. As a trustee, I serve on the Investment Committee, vice chair of the Audit Committee, chair of the Rules and

Personnel Committee, and chair of the Claims Hearing Committee.

This is my 36th year in education. I hold a bachelor's degree in music education from Luther College, Decorah, Iowa and master's degree in leadership and administration from North Central College in Naperville. I am an instrumental music teacher for Naperville School District 203.

For most of my career, I have been involved in the Illinois Education Association leadership. I have served as

building representative, treasurer, first vice president, and currently as president of the Naperville Unit Education Association. At the region level, I have served as representative, treasurer, and currently I am in my second term as region chair of Region 39. As a member of the IEA Board of Directors, I have served on various committees. Currently, I am on the Internal Operations and Finance Committees.

I look forward to continuing my work on the TRS Board.



#### Frank J. Biga III

Thank you for giving me the opportunity to introduce myself. My name is Frank J. Biga III and I am a 14-year veteran teacher at Oak Lawn Community

High School and a 30-year resident of Arlington Heights.

My teaching specialties are A.P. economics and U.S. history.

Prior to my teaching career, I worked as a corporate trainer for large telecommunications companies and as a financial consultant. I have also served for the last

six years as the treasurer of American Federation of Teachers Council 229 and for the last 12 years on my property association board with about six years as president.

I am well qualified to be a TRS teacher trustee. My education includes an MBA in derivative markets/finance from Loyola University and a master's degree in education from Loyola University. I started off with a bachelor's degree in accounting from Elmhurst College.

I am running for teacher trustee because I feel we are living in very unique and dangerous times for defined benefit pension systems. I believe, given my educational background, that I have the

skill sets and demeanor to serve my constituents in the TRS system.

In terms of my philosophy on defined benefit pensions, I do not believe for a minute the fiction that our pension system cannot be afforded by this state. Illinois, as a whole, has trillions of dollars in assets and hundreds of billions of liabilities. Our state is underperforming in terms of statewide income right now for various reasons and our political leadership on both sides of the aisle needs to be held more accountable for this failure that has put our very fair pension benefits in the spotlight.

But we are a solvent state by any honest accounting standard and I will fight to

**Candidates** *continued from page 2*

ensure that this reality is made more well known. The idea that we have a crisis on our hands is a falsehood. This is a notion put forward by those who do not understand finance and accounting or those who have other motives.

**Rainy Kaplan****Rainy Kaplan**

After being elected as a TRS trustee in 2013, I am finishing my first term in July 2017.

I am a Spanish teacher at Westmont High School in Westmont

Community School District 201.

Out of the classroom, I am also the head boys' track and field coach.

If elected, I will also work with my fellow trustees to ensure the best possible rates of return on our pension assets given the market conditions we face now and in the future. I will also fight unceasingly to preserve our rights under the

Illinois Constitution and legal code. I ask for your vote for TRS teacher trustee.

Thank you for your consideration.

School District 54. My three stepchildren all teach and are TRS members as well. Brad teaches special education and coaches at St. Charles East High School. Stacey is an elementary teacher in Schaumburg School District 54. Matt is a special education teacher and coach in Huntley School District 158.

**Fred Peronto****Fred Peronto**

I have 22 years of teaching experience at Carl Sandburg High School in Orland Park where I currently teach American history and A.P. economics.

For the past 12 years, I have represented my local teachers' association in our contract negotiations where I had the opportunity to focus on salary, insurance and retirement issues. I also currently serve as an adjunct professor at Trinity Christian College where I have taught courses in both economic issues and in macroeconomics. These experiences help me understand the complex issues

required to protect the pension guarantee that the Illinois Constitution has promised to all public school teachers.

Teaching has been an incredibly rewarding career for me. In 1997, I was chosen as the H.S. District 230 Teacher of the Year. In 2015, I received an Award of Merit as part of the Those Who Excel program sponsored by the Illinois Board of Education. I've served as an A.P. reader for the A.P. macroeconomics test for the past several years and I'm currently active in the Chicagoland A.P. Consortium. I look forward to the opportunity to give back to our profession.

I'm a product of public schools. I grew up attending public schools in Elmhurst, where I still reside with my wife and

three sons, and I graduated from the University of Illinois-Champaign. I come from two generations of public school teachers. My wife currently teaches third grade in Oak Park and our oldest son is ready to embark upon a career in education.

Public schools matter a great deal to me. One of my mentors once taught me that you can see what a state values not by what its politicians say, but by how they spend their money. I'm proud to teach in Illinois and the pension guarantee that the people of Illinois have given to their teachers shows that, as teachers, we are valued in this state. If elected, I will do everything that I can do to ensure that never changes.

**Annuitant Trustee Election Uncontested**

**Larry Pfeiffer** of Carlinville will begin his term as TRS trustee on July 15, 2017. He will serve a four-year term.

No annuitant trustee election is required in 2017 because Mr. Pfeiffer was the only annuitant to file the

requisite number of petition signatures for election to the Board as an annuitant trustee.

Mr. Pfeiffer will fill the seat currently occupied by **Trustee Bob Lyons** of Hoffman Estates. Bob is retiring at the

end of his current term after 12 years of service as a TRS trustee.

## Keep TRS Informed of Your Life Events

### Review Member Information and Beneficiary Designation Form

If you have recently become a parent, or have been married or divorced, you will want to review your Member Information and Beneficiary Designation form on file. This important form designates who will receive your death benefits from TRS. Update your Member Information and Beneficiary Designation (MIBD) form (<http://trs.illinois.gov/members/forms/mibd.pdf>) to ensure that survivor benefits will be paid according to your wishes.



### File Proof of Birth with TRS

When changing an MIBD form, all active and inactive members (not retired) must indicate on the MIBD whether they are including a proof of birth or have previously filed it with TRS. Proof of your birth date must be on file with the System before a benefit can be paid. Acceptable proof includes a copy of either a birth certificate, a valid driver's license, valid passport or valid state-issued identification card. For instructions on how to send TRS your proof of birth, visit <https://trs.illinois.gov/subsections/secureaccountaccess/security/signin.aspx>, the Member Account Access area. When active or inactive members log on to the secure Member Account Access area, the site denotes whether a member has proof of birth on file with the word "validated."

Retired members do not have to file proof of birth because they are already receiving benefits.

### Complete Name Change Form

If you have recently married or divorced and need to change your name, fill out the Notice of Name Change form ([http://trs.illinois.gov/members/forms/NameChg\\_ff.pdf](http://trs.illinois.gov/members/forms/NameChg_ff.pdf)) to inform us. A photocopy of your marriage certificate, valid driver's license, certified court order, valid U.S. passport or valid state ID must be submitted with the form.

## TRS Phone Numbers, Emails and Website Address Changing this Summer

TRS will change its telephone numbers, website and email addresses soon in an effort to improve service and reduce technology costs. The change will mean reduced costs and greater control over the System's telephones, website and emails.

In June, the TRS staff email addresses will change to "@trsil.org" from "@trs.illinois.gov." For example, [members@trsil.org](mailto:members@trsil.org) will be used instead of [members@trs.illinois.gov](mailto:members@trs.illinois.gov). You will be notified by email when the change occurs. It is anticipated that the former email addresses will redirect to the new email addresses.

The TRS telephone numbers will also change in June. Both direct-dial and toll-free TRS telephone numbers will be different. **The new toll-free number for Member Services will be (877) 9-ASK-TRS [(877)-927-5877].**

In July, the TRS website address will change to <http://www.trsil.org> from <http://trs.illinois.gov>. A redesigned TRS website will be launched to correspond with the website address change. We will email all members when this change occurs. The overall look and design of the TRS website will be more up-to-date and easily navigated.

## 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 information can be found at <http://trs.illinois.gov> online.

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

## TRS Board of Trustees Members

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

Two appointed positions are vacant.

## Despite Rocky 2016, Long-Term TRS Investments Beat Expectations

The TRS investment portfolio continues to outpace long-term expectations, despite flat investment returns for fiscal year 2016, continued volatility in the markets and predictions of diminished returns in the future.

At the end of fiscal year 2016 on June 30, TRS investments over the last 30 years averaged 8.2 percent annually, net of fees, exceeding the system's anticipated rate of return of 7.5 percent for the period ending in 2016. This strong showing was recorded even though short-term returns at June 30, 2016 were only 0.01 percent, net of fees.

However, in a prime example of how unpredictable the investment markets are of late, the TRS return that ended on Dec. 31, totaled 7.59 percent, net of fees.

In August of 2016, after considerable study and debate, the TRS trustees lowered the TRS long-term assumed rate of return going forward to 7.0 percent from 7.5 percent. This is the third time in the last four years that the Board has lowered the assumed rate, a reflection of the fact that investment returns in recent years have slowed. The growing consensus is that investment returns in general will remain subdued in the future.

The reduction in the TRS long-term assumed return rate was controversial because that single action added \$400 million to the state government's annual contribution to the System at a time when the state budget deficit already exceeds \$9 billion. However, without the TRS rate reduction, the System's unfunded liability would increase more quickly in the future.

During fiscal year 2016, TRS did receive its entire \$3.7 billion contribution from state government and is on course to receive its entire \$4.0 billion contribution from the state for the current fiscal year.

## “Grand Bargain” Pension Bills Stall in Legislature

Major changes to the Illinois Pension Code that affect TRS Tier I active members continue to be a centerpiece of efforts in Springfield to reach a “Grand Bargain” on a state budget and other controversial issues that have been on hold in the General Assembly for years.

Illinois is nearing the end of a second straight fiscal year without a legislatively enacted budget, and sponsors of the so-called “Grand Bargain” say that pension benefit modifications are an integral part of cost saving measures in the plan.

One part of the pension proposal designed to cut the state’s annual costs would require every active Tier I member to make a choice between keeping the current Tier I automatic annual increase (AAI) – 3 percent compounded annually – or switching to the Tier II AAI – half of the previous year’s inflation rate, capped at 3 percent, and not compounded.

Those members electing the current AAI would forfeit the benefit of having all future salary increases included in their initial pension calculations. Members electing the Tier II AAI would have future salary increases included in their initial pension calculations.

The proposal also includes a partial shift of pension costs from the state to local schools districts. For active member salaries in excess of \$140,000, districts would pay the actuarial pension cost of the portion of the salaries above \$140,000.



While it is questionable whether the “Grand Bargain” will pass in its current form, it is anticipated that if the pension proposal is enacted, it will be challenged in court.

One of these ideas is a “pension buyout.” Active members would have the option to accept a discounted lump-sum payment from TRS instead of a lifetime pension. One plan proposes a one-time payment equal to 70 percent of the present value

of a member’s pension. Another option would have the state Department of Central Management Services administer a buyout program administered by a private company.

In testimony before the House Personnel and Pensions Committee, **TRS Executive Director Dick Ingram** noted that pension buyouts are, in reality, a benefit diminishment that could be unconstitutional. In addition, Director Ingram said potential future savings from buyout programs do not correct the long-term unfunded liability facing TRS.

Other legislative proposals under consideration seek to lower future TRS funding contributions further below levels that actuaries say are necessary for “full funding.” Currently the state’s fiscal year 2017 contribution of \$4.0 billion is \$2.1 billion less than what is required for “full funding.”

However, one other pension-related proposal has been removed from the debate. In an address to the General Assembly in February, **Gov. Bruce Rauner** said he would not support suggestions to extend the state’s income tax to retirement income, which would include TRS pensions.

## 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 Retirement Option Sunset Refunds Requested by 90,000

In the last five months, more than 90,000 TRS active and inactive members have received a refund of the accumulated 0.4 percent payroll contributions they paid since 2005 to help fund the Early Retirement Option. More than \$179 million has been refunded so far.

There is no deadline for eligible members to request a refund. However, under state law, ERO contributions that remain with TRS do not accumulate interest.



Members have two refund options: receive a cash refund or roll the refund over into a non-TRS retirement fund. Cash refunds are subject to 20 percent federal income tax withholding, as well as a penalty for the early withdrawal of retirement funds if the member is not yet 59 ½ years of age.

Members opting for the cash refund can complete the process electronically in a few minutes by visiting the secure Member Account area on the TRS website.

Retired TRS members are not eligible for the ERO Sunset Refunds because they either received a refund of their ERO contributions when they retired, used ERO to retire early or retired before the 2005-06 school year.

TRS must offer the contribution refunds because the General Assembly failed to renew the ERO program last spring and the program expired on June 30, 2016. The sunset of the ERO did not change the retirement eligibility rules for any TRS member.

## TRS Should Be Your Only Retirement Estimate Resource

As you plan for your financial future, you should always remember that TRS does not partner with any independent financial planner or personal money manager.

Every so often, TRS sees false advertisements or messages from financial planners that claim a "special relationship" with TRS or that the System has "licensed" its software for private companies to use. Rest assured, TRS does not enter into any partnership or agreement to share its processes or information with private entities.

TRS retains and protects, within the bounds of disclosures required by law, all of your personalized data. This information includes teaching service, purchased optional service

and sick leave used to calculate your TRS retirement estimate according to law.

Financial planners may offer to estimate your TRS benefit for you, but those estimates are done without the cooperation of the System and are not official. For an accurate TRS retirement estimate, you should rely only on TRS. If you have a question about the claims made by a financial planner regarding TRS information or processes, you can check those claims with us.

While TRS does not provide financial advice or partner with any financial planners, you may wish to consult with a financial planner and use your official TRS retirement estimates.

## Tier II Members Need to “Bring More” to Their Retirements

Currently more than 34,000 members are part of Tier II in TRS and this population will only grow in the future. While the emergence of the first Tier II retirees is still a number of years away, TRS is embarking on a new multi-pronged effort to better engage these younger members and help them understand the retirement challenges they will face.

To help make their retirement more secure, Tier II members will have to be more proactive at an earlier age when they begin planning for the future.

The Bring More campaign is designed to help Tier II members understand the realities of their TRS pensions and help them identify ways that they can supplement their TRS pensions with enhanced personal savings programs.



Video available on TRS website at:

<http://trs illinois gov/members/bringmore/bringmore.htm>

Bring More will employ videos, large-and-small group meetings and detailed how-to guides to help Tier II members navigate the years ahead.

By the legislature’s design, Tier II retirement benefits are smaller than Tier I benefits. Tier II members must work longer – to at least age 62 – to be eligible for a pension and the Tier II automatic annual increase (AAI) is smaller than the Tier I AAI. The Tier II annual increase will be half of the previous year’s inflation rate, not compounded, with a cap of 3 percent. The Tier I AAI is 3 percent, compounded annually.

All TRS members who first began contributing to TRS on or after January 1, 2011 are in Tier II, unless they had recorded service prior to 2011 in one of the state’s other public pension systems that have reciprocal service links with TRS.

## Benefit Choice Period for Health Insurance Coverage Planned in May

The annual Benefit Choice Period for Teachers’ Retirement Insurance Program (TRIP) participants is planned for May 1 through May 31, 2017. TRS will post any updates about the Benefit Choice Period on our website.

This Benefit Choice Period is not for members currently enrolled in the State of Illinois Medicare Advantage Plan - Total Retiree Advantage Illinois (TRAIL). The Benefits Choice Period for TRAIL participants will be held in the fall.

Benefit Choice is the time to make changes in TRIP coverage and to enroll yourself and eligible dependents if you have never previously been enrolled. The information about the Benefit Choice Period will be mailed to retirees currently enrolled in TRIP at the end of April. The mailing will include an explanation of health insurance



options for the coming year and changes in coverage benefits. The full Benefit Choice booklet will be available at <http://www.benefitschoice.il.gov>, the Illinois Department of Central Management Services (CMS) website.

If you already are enrolled in TRIP and wish to make a change in coverage, please call TRS in May for a new Benefit Choice form at (800) 877-7896 or call My Benefits Marketplace at (844) 251-1777.

The Benefit Choice form will only be

provided upon request. If you are enrolling yourself or an eligible dependent for the first time during the Benefit Choice Period, please contact TRS for a TRIP enrollment application or call My Benefits Marketplace at (844) 251-1777.

**If you do not want to change your coverage, you do not have to do anything.** Your current coverage will continue.

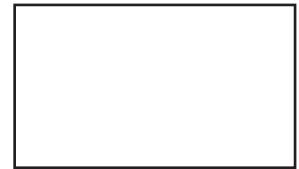
TRS does not administer TRIP. However, TRS provides members with basic coverage information, enrolls members in the program, and collects appropriate premiums. By law, CMS is the administrator that determines coverage benefits, establishes premiums, negotiates contracts with the insurance carriers, and resolves coverage and claim issues.



## Teachers' Retirement System of the State of Illinois

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# Spring 2017 Topics & Report



## 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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## Topics & Report

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(877) 9-ASK-TRS [(877)-927-5877]