

# TOPICS & REPORT

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
SUMMER 2015



## A Message to TRS Members from the Executive Director



**Dick Ingram**  
Executive Director

Over the last few months, the possibility of a lengthy government shutdown of some kind has hung over everything we do at Teachers' Retirement System.

Political maneuvering over the construction of a fiscal year 2016 state budget and **Gov. Bruce Rauner's** "Turnaround Agenda" for Illinois

has kept the General Assembly and the governor's office at loggerheads.

No one has been able to predict how or when these issues can be resolved. All along, our guess has been as good as anyone's about what the future will hold.

Operations at TRS are funded from System assets, not by an appropriation in the state budget. Even so, the resolution of a state budget for fiscal year 2016 is the paramount concern. TRS does not and will not get involved in the discussion of any legislation that does not affect the funding of TRS or our ability to administer the retirement system.

In June, **State Comptroller Leslie Geissler Munger** listed which state spending obligations would get paid by her office even after a government shutdown. Pensions were on that list.

Without a state budget, and the accompanying authority for state agencies to spend money, TRS could face some challenges this summer in fulfilling its mission. TRS relies on a number of other state agencies to get the

job done – the State of Illinois Comptroller's Office, the Department of Central Management Services and the State of Illinois Treasurer's office.

So, while we contemplate what may be, I wanted at the very least to tell you that we have developed various contingency plans designed to mitigate as much as possible the effects of a lingering government shutdown. I also wanted to let you know what our priorities are at TRS in the event this inter-governmental dispute continues.

### Priority #1

Pay all benefits to all retired TRS members and all eligible beneficiaries. There was no problem with the payment or distribution of June's benefits. The "paperwork" for those payments was completed in June while the fiscal year 2015 budget was still in place.

TRS does not need legislative authority to pay pensions and benefits beyond July. But TRS does not process your pension or benefit payment. We rely on the state comptroller's office to do that. Comptroller Munger has said that state pensions, including those of TRS, will be paid.

### Priority #2

Make sure the TRS staff is paid so we can continue to provide you with the services you depend on, and continue the important oversight of the TRS investment portfolio. Again, TRS does not need legislative authority to pay our staff. As noted above, like benefits, our salaries are funded by the retirement trust fund.

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

But we do need CMS and the comptroller's office to process, write and distribute all paychecks.

### Priority #3

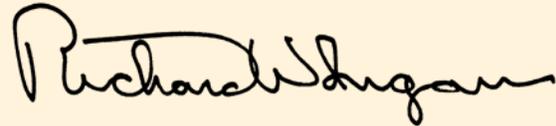
Make sure that state government delivers its annual contribution to TRS to fund the benefits being earned and pay down the accumulated unfunded liability.

In fiscal year 2016, the state is required to pay TRS \$3.7 billion. Unlike most other state government spending authorizations, the authority to pay the annual TRS contribution does not need to be renewed from year to year. We will work diligently to ensure that the full fiscal year 2016 contribution is made as timely as possible. Even if there are delays in funding this contribution, TRS has more than adequate

resources to continue operations and benefit payments as usual.

As always, TRS will be sure to keep you up-to-date with the latest information about how the on-going debate and discussions at the Illinois Capitol may affect your retirement system.

Best wishes,



## Dr. Tony Smith, Alexander Stuart Named to the TRS Board

New Illinois Superintendent of Schools **Dr. Tony Smith** assumed his duties in May as the president of the Teachers' Retirement System Board of Trustees. Smith was named state superintendent in April by the Illinois State Board of Education. By law the state superintendent also serves as the president of the TRS Board.

In addition, **Gov. Bruce Rauner** appointed **Alexander Stuart** in June to one of the four vacant seats on the TRS Board.

Smith most recently served as the executive director of the W. Clement & Jessie V. Stone Foundation in Oak Park, which focuses on early childhood education and development, and as superintendent of schools in Oakland, California. He holds a doctorate in education from the University of California at Berkeley, where he was captain of the football team. Smith briefly played professional football for the Green Bay Packers and the San Francisco 49ers. Smith replaces former State Superintendent **Christopher A. Koch, Ed. D.**, who had served in the post for eight years.



**Dr. Tony Smith**



**Alexander Stuart**

Stuart, of Lake Forest, is the president of North Star Investments and formerly served as president and CEO of Conway Farms, a commercial and residential development company in Lake County. He is a former Board chair of Chicago Public Media and a director of Northwestern Memorial Lake Forest Hospital. He holds a master's degree in business administration from Harvard Business School.

## TRS Trustee Spring Election Results in Seats for Klickna and Hirshman

**Andrew J. Hirshman** of Oak Park and **Cinda J. Klickna** of Rochester were elected in May by active TRS members to the System’s 13-member Board of Trustees. Klickna and Hirshman began their four-year terms on July 15.

With four candidates vying for two seats, this election was the first contested balloting at TRS since 2001. The other two candidates seeking election were **Bradley D. Cauffman** of Naperville and **Hilde I. Elg** of Glen Ellyn.

In all, 4,124 valid electronic and paper ballots were counted. Each active member was allowed to vote for two candidates. The official vote totals were:

<b>Cinda J. Klickna:</b>	<b>3,489</b>
<b>Andrew J. Hirshman:</b>	<b>2,902</b>
<b>Bradley D. Cauffman:</b>	<b>940</b>
<b>Hilde I. Elg:</b>	<b>634</b>

Hirshman is a social studies teacher at Mundelein High School in Lake County. Klickna currently is president of the Illinois Education Association and has served as a TRS trustee for 12 years.

Under state law, six members of the Board are elected by TRS members: four by active members and two by retired members. Elected trustees are chosen every two years to staggered four-year terms. Six members

### Upcoming Board of Trustee Meetings

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

- August 12-14, 2015
- October 28-30, 2015
- December 9-11, 2015
- February 17-19, 2016
- March 29-30, 2016  
Retreat - TBD
- May 18-20, 2016
- June 23-24, 2016  
(tentative)

of the TRS Board are appointed by the governor with the advice and consent of the Illinois Senate. The 13th member, by law, is always the state superintendent of schools.

Along with the two open active member trustee seats, one retired member seat was open for election. However, only one candidate for that seat filed the necessary petitions of member signatures needed to gain access to the ballot. In May the trustees by acclamation appointed that candidate, **Daniel Winter** of Decatur, to the Board. Winter is a retired teacher and school board president in Decatur School District 61.

Two current TRS trustees retired from the Board this year after serving 16 years each. **Sharon Leggett** of Evanston was an elected active member trustee and was replaced by Trustee Hirshman. **Cynthia O’Neill** of Carlyle was an elected retired member and was replaced by Trustee Winter.



**Andrew Hirshman**



**Cinda Klickna**

### Board of Trustees as of July 15, 2015

<b>Tony Smith, President</b> <i>River Forest</i>	<b>Cinda Klickna</b> <i>Rochester</i>
<b>Mark Bailey</b> <i>Palos Park</i>	<b>Robert Lyons</b> <i>Hoffman Estates</i>
<b>Michael Busby</b> <i>Kenilworth</i>	<b>Alexander Stuart</b> <i>Lake Forest</i>
<b>Andrew Hirshman</b> <i>Oak Park</i>	<b>Sonia Walwyn</b> <i>Naperville</i>
<b>Rainy Kaplan</b> <i>Schaumburg</i>	<b>Daniel Winter</b> <i>Decatur</i>

*(Three appointed positions are vacant.)*

## TRS Finances for the First Nine Months of Fiscal Year 2015

Volatility in the world financial markets over the last year is reflected in the modest investment gains realized by TRS as of March 31, 2015 – three months shy of the end of fiscal year 2015.

Through the first nine months of fiscal year 2015, the TRS investment portfolio posted returns of a positive 2.22 percent overall, net of fees. Total assets invested by TRS were \$45.5 billion.

As always, TRS stresses a focus on long-term results rather than short-term statistics. As a perpetual entity that has relationships with members that last decades through active service and retirement, the steady



long-term growth of the portfolio is more important. The three-year investment returns at the end of March were a positive 10.06 percent, the five-year results were a positive 9.84 percent and the 10-year returns were a positive 6.77 percent.

Over the last 10 years, the total investment portfolio has grown by 24 percent. Total investment income during that period was \$25.9 billion, or an average of \$2.59 billion per year.

Final investment returns and statistics will be available later this summer once the books on fiscal year 2015, which closed on June 30, are analyzed and audited.

### 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 name and Social Security number
- former street address, city, state, and ZIP
- new street address, city, state, and ZIP
- daytime telephone number.



### Do You Want to Be the First to Receive TRS News?

On May 8, TRS used social media and an email alert to immediately notify members that the 2013 pension law overhauling TRS benefits was ruled unconstitutional.

On Facebook alone, this led to 84,864 people being reached, 245 posted comments, 291 shares of the post and “likes” from 2,196 readers. This post had the largest following to date because teachers want to share comments and ideas with their peers in an online community when news affects them.

TRS also emailed 213,273 members about the pension law before it was “old” news. If you don't 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.

Consider that with following TRS on social media, you will gain knowledge about news that matters to you before the evening news broadcast or the following morning's paper hits your doorstep.

 Facebook:  
<https://www.facebook.com/TRSillinois>

 Google+:  
<https://plus.google.com/+trsillinois>

 Twitter:  
[@ILLTRS](https://twitter.com/ILLTRS)

 YouTube+:  
<https://plus.google.com/+trsillinois/videos/>

## A Law Not Broken: Excess Salary Payments to TRS Explained

Throughout the spring and summer, media in Illinois have trumpeted a number of stories announcing that public school districts across Illinois have paid millions of dollars in “penalties” since 2005 for granting raises in excess of 6 percent to teachers and administrators close to retirement.

In every case, the use of the word “penalties” by the media has left an impression of wrongdoing with the public and the implication that school districts routinely are breaking the law.

Nothing could be further from the truth.

The payments school districts must make in these circumstances are not penalties. No laws have been broken. In fact, school districts are adhering to the law by making these payments.

At issue is a state law enacted in 2005 designed to address the pension costs associated with raises granted by school districts to teachers or administrators close to retirement. Under a long-standing practice in Illinois, teachers and administrators agree to retire on a certain date in return for larger-than-normal raises at the end of their careers to boost their pensions.

Lawmakers argued that these large raises created a relatively small short-term cost for the school districts, but a larger long-term cost for the pension system and state government. The increased cost of the pensions boosted by these end-of-career raises was the responsibility of the state, not by the school districts that created the additional costs.

So the state placed a 6 percent threshold on all raises granted to teachers and administrators if the resulting higher salary would be used in the members’ initial pension calculations. Normally, the average of the four highest, consecutive salaries out of the last 10 years of service are used in the initial pension calculation.

The law dictated that if school districts granted raises in these circumstances, then the school district would be

responsible for paying the increase in the pension created by the portion of the raise in excess of 6 percent. The payment represents the long-term actuarial cost of the pensions boosted by the raises, and in some cases the payments can total hundreds of thousands of dollars.

School districts are still free to grant a teacher or administrator close to retirement a raise that exceeds 6

percent. No law is broken if they do. But unlike the past, district officials now know that if they do grant raises in excess of 6 percent, they will bear the cost of the higher pension created by their actions.

Over time, the law has reduced slightly the number of districts that grant raises in excess of 6 percent in these circumstances. In the 2011-2012 school year, 455 school districts and employers paid excess salary fees to TRS totaling \$7.5 million. In the 2014-2015 school year, 400 districts and employers paid \$5.3 million in fees under the law.



### Save Time This Summer by Scheduling an Appointment Before Coming to TRS

This summer, we will see many of you planning for retirement. Please schedule an appointment to allow your counselor to promptly meet your needs by reviewing your record in advance and preparing any information you requested. The Springfield office has a walk-in counselor available for members. Walk-in visitors will be counseled when the counselor becomes available. The waiting time will vary according to the number of walk-in visitors that day. It is possible that we may not be able to see you if you do not have an appointment.

## Active and Inactive Members Visit Web for TRS Benefits Reports This Fall

To save on printing and mailing costs, the TRS Benefit Report is available only online through your online TRS member account. This report will be available in late November and you will be notified via email when it is ready for viewing.

If you received this *Topics & Report* by mail, you must provide your email address (home, not work) to ensure you receive notification when your statement is ready for viewing. Send your email address and full name and mailing address to [members@trs.illinois.gov](mailto:members@trs.illinois.gov) or call us at (800) 877-7896.



TRS annually creates a TRS Benefits Report for every active and inactive member that summarizes the following information: 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.

Reports are only sent to members who are not yet collecting a benefit. Members retiring at the end of the 2015 fiscal year (June 2015) will not receive a report. Annuitants do not receive TRS Benefits Reports.

### How to Create Your Online TRS Member Account

Log into the secure Member Account Access area online using [bit.ly/TRSsignin.aspx](http://bit.ly/TRSsignin.aspx). Select “New User” on the right side and follow the steps to create an account. Your member ID will be required. Active and inactive members were either mailed or emailed TRS Member Cards last fall that includes the member ID. Retirees received their Member Cards with their member IDs in July 2014 via email or mail. You may also choose to watch the YouTube video (<https://www.youtube.com/watch?v=cg34bFPD9lw>) to learn how to set up your account.

## Eligible Annuitants and Survivors Have Fall Open Enrollment Period for TRAIL

If you are eligible for the Total Retiree Advantage Illinois (TRAIL) open enrollment this fall, you will receive information from the Illinois Department of Central Management Services.

The Teachers’ Retirement Insurance Program (TRIP) offers annuitants and survivors the TRAIL healthcare program. This program provides eligible members and their covered dependents comprehensive medical and prescription drug coverage through Medicare Advantage plans (commonly referred to as “MAPD” plans). To be eligible for coverage under a TRAIL plan, you and your eligible dependents must live in the United States or the U.S. territories and be enrolled in Medicare



Parts A and B, on or before September 30, 2015, due to age or disability.

The plan year will begin January 1 and will go through December 31, 2016.

If you are currently enrolled in one of the TRAIL Medicare Advantage plans, your enrollment will continue – you do not need to do anything unless you want to make a change. If you want to make a change to your current Medicare Advantage health plan election or dependent coverage, complete and return the TRAIL Enrollment form to TRS.

TRIP participants not enrolled in a TRAIL plan had their open enrollment period in May 2015.

## Annual Fall Member Meetings Explain Retirement Process and Benefits

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TRS will host statewide meetings from September to November that are designed to explain the retirement process and to provide you with information about disability, death and insurance benefits.

At press time, the following cities and dates have been confirmed with school districts and regional offices of education. Please check our website in mid-August for the building location and addresses for the meeting sites.

An email alert is planned for all members who are close to retirement when the meeting schedule is finalized. If you would like to be informed of this schedule via email and we do not already have your email address, you can log on to our secure Member Account Access area online, [bit.ly/TRSsignin](http://bit.ly/TRSsignin), and add your email address to your record. Or, you may send an email to [members@trs.illinois.gov](mailto:members@trs.illinois.gov); type your full name, zip code, the last four digits of your Social Security number, and your email address. Please type “Email Alerts” as the subject line. After TRS staff adds your email address to your member record, you will begin receiving email alerts when applicable to you.

### **Algonquin**

Thurs., Nov. 19

### **Arlington Heights**

Thurs., Oct. 15

### **Aurora**

Tues., Oct. 20

### **Barrington**

Thurs., Oct. 8

### **Belleville**

Thurs., Sept. 3

### **Belvidere**

Tues., Sept. 15

### **Bourbonnais**

Thurs., Nov. 5

### **Carlinville**

Wed., Sept. 30

### **Carol Stream**

Tues., Sept. 29

### **Charleston**

Thurs., Oct. 1

### **Crystal Lake**

Thurs., Nov. 12

### **Decatur**

Wed., Sept. 23

### **DeKalb**

Thurs., Oct. 1

### **Des Plaines**

Thurs., Sept. 17

### **Dixon**

Tues., Oct. 6

### **Downers Grove**

Tues., Oct. 20

### **Edwardsville**

Tues., Sept. 15

### **Evanston**

Wed., Oct. 21

### **Effingham**

Wed., Sept. 2

### **Fairfield**

Tues., Sept. 22

### **Freeport**

Thurs., Sept. 10

### **Galesburg**

Tues., Oct. 6

### **Geneva**

Thurs., Sept. 24

### **Glendale Heights**

Thurs., Nov. 12

### **Grayslake**

Tues., Oct. 20

### **Highland Park**

Thurs., Nov. 5

### **Jacksonville**

Thurs., Sept. 17

### **Kankakee**

Thurs., Sept. 24

### **La Salle**

Wed., Sept. 30

### **Lemont**

Thurs., Oct. 22

### **Libertyville**

Tues., Nov. 17

### **Machesney Park**

Wed., Oct. 21

### **Macomb**

Thurs., Sept. 10

### **Marion**

Thurs., Oct. 8

### **McHenry**

Thurs., Sept. 17

### **Moline**

Wed., Sept. 16

### **Morris**

Wed., Sept. 16

### **Naperville**

Tues., Nov. 10

### **New Lenox**

Wed., Oct. 7

### **Normal**

Wed., Oct. 7

### **Northbrook**

Tues., Sept. 29

### **Oak Lawn**

Thurs., Oct. 1

### **Oak Park**

Wed., Nov. 18

### **Pekin**

Thurs., Sept. 24

### **Peoria**

Thurs., Oct. 15

### **Plainfield**

Wed., Oct. 14

### **Quincy**

Tues., Sept. 29

### **Rock Falls**

Tues., Oct. 27

### **Rockford**

Thurs., Oct. 29

### **Salem**

Wed., Sept. 30

### **Savanna**

Wed., Sept. 9

### **Schaumburg**

Tues., Oct. 27

### **South Holland**

Wed., Oct. 28

### **Springfield**

Wed., Oct. 21

### **Tinley Park**

Wed., Sept. 30

### **Urbana**

Wed., Sept. 9

### **Villa Park**

Thurs., Oct. 08

### **Warrenville**

Tues., Nov. 10

### **Western Springs**

Thurs., Oct. 29



# SUMMER 2015 TOPICS & REPORT

## Go Green!

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### Topics & Report

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