

# TOPICS & REPORT

Teachers' Retirement System of the State of Illinois  
Summer 2016



## ERO Sunset Refunds Planned Due to Early Retirement Option Expiration

The TRS Early Retirement Option was allowed to automatically expire by the General Assembly on July 1 and as a result approximately 200,000 active and inactive TRS members will be eligible later this year for a refund of the total contributions they paid between 2005 and 2016 to help fund the program.

### Contribution decrease to 9 percent from 9.4 percent

Between July 1, 2005 and June 30, 2016, active TRS members paid 0.4 percent of their creditable earnings to help support the ERO program. As of July 1, the payroll contribution for all active TRS members was reduced from 9.4 percent of their salaries to 9 percent because the ERO program is no longer in existence.

### Refunds available in late 2016

Eligible TRS members will be able to apply for a refund of their ERO contributions beginning in December of 2016. The refunds will not be automatically distributed without application. No deadline exists for

applying for a refund, but ERO contributions left with the System will not accrue interest over time.

ERO Sunset Refunds will not be available until later this year because TRS cannot calculate the exact refund amount for each eligible member until every

school district's Annual Report of Earnings for the 2015-2016 school year has been processed. Annual Reports include official earnings information for all active members, including ERO contributions.

School districts must submit their Annual Reports by mid-August. TRS will finish processing the reports in November. Then, TRS will notify TRS members who are eligible for an ERO Sunset Refund about when and how they can apply.

**Please do not contact TRS now seeking an estimate of any ERO Sunset Refund or the confirmation of an unofficial estimate.**

Members can calculate a "ballpark" estimate of their potential ERO Sunset Refunds by adding their annual TRS creditable earnings from each year between July 1, 2005 and June 30, 2016 and multiplying that total by 0.004. Creditable earnings can be found on a member's TRS

### ERO Sunset Refunds Overview

- The Early Retirement Option automatically expired on July 1, 2016.
- The total payroll contribution for active members is reduced from 9.4 percent to 9.0 percent.
- TRS **cannot** accurately estimate each eligible member's refund until all payroll records from the 2015-2016 school year are processed.
- TRS will contact members later this year if they are eligible for a refund and will let them know when they can apply for the refund.
- **Please do not contact TRS now seeking an ERO Sunset Refund estimate.**
- All ERO Sunset Refund applications will be available beginning in December of 2016.
- Members have the option of a refund or a rollover.
- Members must apply for the refund. It will not be automatically distributed.
- No deadline exists to apply for an ERO Sunset Refund.
- **Retired members are not eligible for this refund.**



Benefits Report, which is available in the secure Member Account Access area on the TRS website. Any creditable earnings originating from a TRS disability benefit will not be used in the official calculation of any ERO Sunset Refunds. **However, TRS will calculate each eligible member's official refund because other factors will influence the actual refund total, such as federal income tax and any unpaid state taxes or loan balances.**

### Retirement eligibility without ERO

The earliest a member can receive a retirement benefit is at age 55 with 20 years of service. The maximum benefit is 75 percent of the average salary with at least 34 years of service credit if the member is eligible for a nondiscounted annuity. If the member retires between the ages of 55 and 60 with at least 20 but fewer than 35 years of service, his/her retirement annuity is permanently reduced by 6 percent for every year that he/she is under age 60.

### Retired members not eligible

Retired TRS members are not eligible for the ERO Sunset Refund. Members who retired before June 30, 2016 and did not participate in the ERO program had ERO contributions refunded to them at retirement. Under state law, members who retired before June 30, 2016 and participated in the program are not eligible for the refund.

### Eligible members have 3 options

Active and inactive TRS members eligible for a refund will have three options this year:

1. Apply for a cash refund that will be mailed to them.
2. Apply for a withdrawal with the intention of "rolling over" the taxable portion of the refund into a qualified non-TRS retirement plan, such as a 401(k), 403(b) or an IRA.
3. Do nothing and leave the ERO contributions



with TRS. Members can apply for a refund at a later date, but no interest will accrue if the ERO contributions are left with TRS.

### ERO Sunset Refund considerations

#### Taxes, early withdrawal penalties and unpaid state debts

Mandatory federal income taxes will be withheld from all cash refunds at a rate of 20 percent. Members also may be subject to early withdrawal penalties. After a cash refund is issued, members will receive an Internal Revenue Service 1099-R form in the

January following receipt of the refund.

Also, refunds that are not directly rolled over are subject to involuntary withholding as defined in the Illinois State Collection Act of 1986 (30 ILCS 210). The act covers unpaid debts that include delinquent child support, overpaid state unemployment benefits, delinquent state taxes, federal tax levies and delinquent student loans.

#### Money owed to TRS

TRS cannot accept a direct rollover of ERO contributions to pay off a member's unpaid account balance with the System, such as payments due for a 2.2 Upgrade or the purchase of optional service credit.

#### Administration of the refund or withdrawal

A member's decision regarding his/her ERO contribution refund is irrevocable. Once a refund or withdrawal application is submitted to TRS, it will be processed.

Refund and withdrawal checks will be issued and mailed by the Illinois Comptroller's Office. An elec-

tronic transfer of funds is not available for this transaction.

TRS does not provide financial advice concerning which decision is best for any member. Members are encouraged to contact a licensed financial advisor for advice.

### How to Create Your Online TRS Member Account

Visit the secure Member Account Access area online at <https://trs.illinois.gov/subsections/secureaccountaccess/security/signin.aspx> on the TRS website. Select "New User" on the right side and follow the steps to create an account. Your TRS member ID is required. You may also watch the YouTube video at <https://www.youtube.com/watch?v=cg34bFPD9lw> to learn how to set up your account.

## Executive Director's Message to TRS Members



**Executive Director  
Dick Ingram**

We are experiencing unprecedented times.

As we begin a second fiscal year without a complete state government budget, it is impossible for anyone to know when, or how, the larger political impasse between Republican **Gov. Bruce Rauner** and the leaders in the Democrat-controlled General Assembly will be resolved.

The negative effects on our state of this stalemate and 12 months without a budget for state government are well-documented. Even with a six-month state budget in place, everyone remains frustrated and uncertain about the future.

Yet, regardless of what happens around us, our top priority at TRS continues to be your welfare and best interests. We are working diligently to ensure that pensions and benefits will be paid on time and in full into fiscal year 2017.

And we will do our best to ensure that we continue to earn above-average investment returns over the long term while keeping our investment risk below average. Our 30-year rate of return as of March 2016 is 8.2 percent (net of fees), well above our 7.5 percent benchmark.

TRS is somewhat insulated from any day-to-day funding problems that have affected other government programs. But with that said, we are very mindful that other agencies face challenges that we do not face. TRS must work closely with many other areas of government to make sure our duties are fulfilled. Being understanding and cooperative are the keys to moving forward in the current situation.

For instance, over the last 12 months, **State Comptroller Leslie Geissler Munger** and her office have been very responsive to the needs of TRS and its members despite competing pressures for funds from other areas of state government. I am pleased to report that the state's contribution to TRS for the just completed fiscal year, \$3.7 billion, will be paid in full, even though there was a temporary delay in the November payment due to cash flow pressures. We anticipate that the state's \$3.99 billion contribution for fiscal year 2017 will be paid in full as well.

While the political sands constantly shift in Springfield, please remember:

- TRS does not require legislative approval or an appropriation to pay pensions and benefits. TRS is a trust fund administered by a Board of Trustees with statutory authority to pay pensions and benefits.
- The annual contribution from state government to TRS must be paid from year to year under a "continuing appropriation." The General Assembly and the Governor do not need to sign off each year on the TRS contribution. However, the timing of the actual contribution payment during the year may be determined by cash flow at the state level.
- Last July, a Cook County Circuit Court ruled that the Illinois Comptroller's office must process the payment of all pensions and benefits from the TRS trust fund, even when no state budget is in place. As of now, this court decision remains in force.

**"Being understanding and cooperative are the keys to moving forward in the current situation."**

### What lies in the future?

No one knows. We will do all we can to keep you updated on how this unfolding situation affects your retirement system.

But whatever happens, you can count on TRS to remain diligent, to meet every challenge and to keep the promises made to you for your future.

In the meantime, here's to a healthy, prosperous and enjoyable summer!

Best Wishes,



Dick Ingram  
TRS Executive Director



## New Chief Benefits Officer Will Lead TRS Member Services



**Carlton W. Lenoir**  
Chief Benefits Officer

In June TRS welcomed **Carlton W. Lenoir** as the new chief benefits officer in charge of the day-to-day administration of member relations for more than 400,000 TRS members and benefits for 115,000 retirees and dependents. The chief benefits officer oversees the System's Counseling Services Department and Call Center, as well as the Payroll-Insurance, Member Accounts and Claims Departments.

Carlton comes to TRS after a decade at the Employees' Retirement System of Georgia, where he filled various roles, including chief financial officer and most recently, deputy director. The ERS of Georgia has 125,000 active members and administers benefits for 65,000 retirees.

A graduate of John Marshall Law School and American Intercontinental University, Carlton is no stranger to Illinois. A native of Chicago, he served for 17 years in various capacities with the Public School Teachers' Pension and Retirement Fund of Chicago, including benefits manager between 2000 and 2005.

Carlton is assuming the duties of **TRS Deputy Executive Director Sally Soderberg**, who has announced her intention to retire later this year.

### 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 update your address online in Member Account Access, call us or send us the following information in writing:

- your name and your Social Security number (last four digits) or member ID,
- former street address, city, state, and ZIP,
- new street address, city, state, and ZIP, and
- daytime telephone number.



### Upcoming Board Meeting Dates

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 24-26, 2016
- October 26-28, 2016
- December 12-14, 2016
- February 15-17, 2017
- April 5-7, 2017  
Retreat TBD
- May 17-19, 2017
- June 21-22, 2017  
(tentative)

### Board of Trustees as of June 30

|   |                                     |   |
|---|-------------------------------------|---|
| <b>Tony Smith</b><br>President<br>Springfield       | <b>Ann Deters</b><br>Effingham      | <b>Alexander Stuart</b><br>Lake Forest  |
| <b>Cinda Klickna</b><br>Vice President<br>Rochester | <b>Andrew Hirshman</b><br>Oak Park  | <b>Sonia Walwyn</b><br>Naperville       |
| <b>Mark Bailey</b><br>Palos Park                    | <b>Rainy Kaplan</b><br>Schaumburg   | <b>Daniel Winter</b><br>Decatur         |
| <b>Michael Busby</b><br>Kenilworth                  | <b>Bob Lyons</b><br>Hoffman Estates | <b>Randall Winters</b><br>Highland Park |

One appointed position is vacant.

## Working for You



TRS staff located in Springfield, June 2016



TRS staff located in Lisle, June 2016

### About TRS

As of June 1, 2016, the Springfield office employed 187 people. The Lisle office, which is used for member counseling, employed nine staff members. Due to Training Manager Claire Ribelin (front, far right) working in Lisle that day, 10 were photographed.

The staff works within specialized departments for over 400,000 TRS members and over 1,000 TRS employers.

The Springfield office on Washington St. opened in 1979. Since 1939, prior locations included the Centennial Building, Stratton Building and Iles Park Place. The current Lisle office opened in 1987. Its prior location was in Lombard.



## Annual Fall Member Meetings Explain Retirement Process and Benefits

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

Our website will provide the meeting locations and addresses in mid-August. 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, log on to our secure Member Account Access area online at <https://trs.illinois.gov/subsections/secureaccountaccess/security/signin.aspx> and add your email address to your record.

|  |  |                                       |   |                                       |   |
|--|--|---------------------------------------|---|---------------------------------------|---|
| <i>Algonquin</i><br>Thurs., Nov. 3           | <i>Champaign</i><br>Wed., Sept. 7      | <i>Evanston</i><br>Wed., Oct. 26      | <i>Lemont</i><br>Wed., Sept. 7          | <i>New Lenox</i><br>Wed., Oct. 5      | <i>Rockford</i><br>Thurs., Oct. 27      |
| <i>Alton</i><br>Tues., Sept. 20              | <i>Charleston</i><br>Thurs., Sept. 29  | <i>Fairfield</i><br>Tues., Sept. 20   | <i>Libertyville</i><br>Tues., Nov. 1    | <i>Northbrook</i><br>Thurs., Sept. 15 | <i>Salem</i><br>Thurs., Oct. 13         |
| <i>Arlington Heights</i><br>Thurs., Sept. 22 | <i>Crystal Lake</i><br>Thurs., Oct. 27 | <i>Freeport</i><br>Thurs., Sept. 8    | <i>Machesney Park</i><br>Tues., Oct. 18 | <i>Oak Lawn</i><br>Wed., Sept. 28     | <i>Savanna</i><br>Wed., Sept. 7         |
| <i>Aurora</i><br>Thurs., Oct. 13             | <i>Danville</i><br>Tues., Sept. 13     | <i>Geneva</i><br>Thurs., Oct. 6       | <i>Macomb</i><br>Thurs., Sept. 8        | <i>Oak Park</i><br>Wed., Nov. 2       | <i>Schaumburg</i><br>Wed., Oct. 12      |
| <i>Barrington</i><br>Thurs., Sept. 29        | <i>Decatur</i><br>Wed., Sept. 21       | <i>Grayslake</i><br>Wed., Oct. 5      | <i>Marion</i><br>Thurs., Oct. 6         | <i>Pekin</i><br>Thurs., Sept. 22      | <i>South Holland</i><br>Tues., Oct. 18  |
| <i>Belleville</i><br>Thurs., Sept. 1         | <i>Des Plaines</i><br>Wed., Oct. 5     | <i>Highland Park</i><br>Wed., Oct. 19 | <i>McHenry</i><br>Tues., Sept. 13       | <i>Peoria</i><br>Wed., Oct. 12        | <i>Springfield</i><br>Thurs., Oct. 13   |
| <i>Belvidere</i><br>Thurs., Sept. 8          | <i>Dixon</i><br>Wed., Sept. 28         | <i>Jacksonville</i><br>Wed., Sept. 14 | <i>Moline</i><br>Wed., Sept. 7          | <i>Plainfield</i><br>Thurs., Sept. 29 | <i>Taylorville</i><br>Thurs., Sept. 15  |
| <i>Bloomington</i><br>Wed., Oct. 5           | <i>Downers Grove</i><br>Wed., Oct. 12  | <i>Kankakee</i><br>Tues., Sept. 20    | <i>Monmouth</i><br>Wed., Sept. 14       | <i>Pontiac</i><br>Tues., Aug. 30      | <i>Tinley Park</i><br>Wed., Sept. 21    |
| <i>Bourbonnais</i><br>Wed., Oct. 26          | <i>Edwardsville</i><br>Tues., Sept. 13 | <i>Kewanee</i><br>Tues., Oct. 4       | <i>Morris</i><br>Tues., Sept. 13        | <i>Quincy</i><br>Tues., Sept. 27      | <i>Warrenville</i><br>Thurs., Oct. 20   |
| <i>Carlinville</i><br>Wed., Sept. 28         | <i>Effingham</i><br>Wed., Aug. 31      | <i>La Salle</i><br>Tues., Sept. 20    | <i>Naperville</i><br>Tues., Oct. 25     | <i>Rock Falls</i><br>Thurs., Oct. 6   | <i>Western Springs</i><br>Tues., Oct. 4 |
| <i>Carol Stream</i><br>Tues., Sept. 27       | <i>Elgin</i><br>Wed., Sept. 21         |                                       |   |                                       |   |

## Active and Inactive Members Visit Web for TRS Benefit 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. If you haven't created an online account, read and follow the directions in the box on page 2.



TRS annually creates a TRS Benefits Report for every active and inactive member that summarizes the following information: refundable contributions, beneficiary refund, designated 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 2016 fiscal year (June 2016) will not receive a report.

Annuitants do not receive TRS Benefit Reports.

## 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 Sept. 30, 2016, due to age or disability.



The plan year begins Jan. 1 and is effective through Dec. 31, 2017.

**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 or dependent coverage, please follow the directions provided with your fall information.

TRIP participants not enrolled in a TRAIL plan had their open enrollment period in May 2016.

## Bill Allows for Repayment of Survivor Benefit Contribution Refunds

Assuming Gubernatorial signature, TRS annuitants who previously gave up their eligibility for a survivor benefit and took a refund of their 1 percent survivor benefit contributions will be able to repay those contributions and re-establish a survivor benefit under legislation approved by the General Assembly at the end of May.

The measure, House Bill 6021, is awaiting action by **Gov. Rauner**.

Under the bill, a member may repay the contributions, plus interest, for a period starting on the date the member received the refund and ending on the date the member elected to repay the contributions. The interest rate is set at the actuarially-assumed rate of return. Once the refund is paid back in full, eligibility will be reinstated for a survivor benefit. Under current law, once a member gives up the survivor benefit, the decision is irrevocable unless he/she returns to teaching.

Anyone who has taken the 1 percent survivor benefit refund, even if he/she does not have an eligible "dependent," has the right to repay.

The election period will begin five months after the law takes effect. When the election period begins, retirees will have one year from that date to notify TRS of their intent to repay the refund.

The contribution, plus interest, may be paid to TRS by either a direct rollover of tax-sheltered contributions from a qualified non-TRS retirement plan for the entire balance, an equal monthly reduction from the member's retirement annuity over a period not to exceed 24 months, or a combination of the two methods.

Upon full repayment, the annuitant will have established eligibility for the payment of survivor benefits at his or her death. If the annuitant dies before making full payment, the amount paid to date will be refunded to the named beneficiary or beneficiaries.

Two survivor benefits exist depending upon the beneficiary's status:

1. **Lump-sum survivor benefits** may be paid to any person or entity. The benefit is the greater of: one-sixth of the member's final salary,

the actual contributions made by the member for survivor benefits, not including interest thereon, or \$3,000.

2. **Monthly survivor benefits** are available only to a surviving eligible dependent, which include:

- a spouse or civil union partner to whom the member has been married/partnered for at least one year prior to death;
- an unmarried natural or adopted child under age 18, or between ages 18 and 22 if a full-time student in an accredited educational institution; or
- an unmarried child of any age who is dependent by reason of a physical or mental disability and is claimed as a dependent on the member's federal income tax return.

Generally, the surviving dependent receives a monthly annuity of ½ of the member's gross benefit at the time of death.

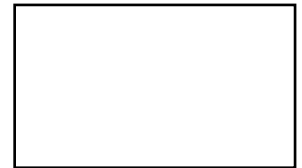
TRS will keep members notified of the status of this legislation.



**Teachers' Retirement System of the State of Illinois**

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**Summer 2016 Topics & Report**



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**Topics & Report**

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**Contents**

**Page 1-2**

ERO Sunset Refunds Planned

**Page 2**

Access Online Account

**Page 3**

Executive Director's Message

**Page 4**

New Chief Benefits Officer  
Address Change Notification  
Board Information

**Page 5**

Springfield & Lisle Staff Photos

**Page 6**

Fall Member Meetings  
TRS Benefit Reports Online

**Page 7**

TRAIL Benefit Choice Period  
Survivor Benefit Repayment

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