



# TOPICS & REPORT

Teachers' Retirement System of the State of Illinois | [trsil.org](http://trsil.org) | Over 423,500 members

## TRS Works Hard to Overcome COVID-19 Effect on Investments



It took five months and a lot of careful, exacting work, but TRS has reclaimed the investment losses caused early in 2020 by the COVID-19 pandemic.

At the end of August, the TRS portfolio totaled \$54 billion, coming within a hair's-breath of the \$54.2 billion total recorded at the beginning of calendar year 2020.

**"Although no one saw the COVID-19 virus coming, the resulting economic downturn did not catch TRS off guard."**

As we all know, the slow advent of the coronavirus around the world in January and February, followed by the rapid expansion of the virus in March and subsequent months caused the virtual shut-down of the nation's economy. Unemployment

soared. Thriving businesses closed, some permanently. The value of once-robust investment markets dropped off a cliff.

All institutional investors like TRS lost money. At the end of January, the System's portfolio totaled \$53.9 billion. It dropped to \$52.3 billion at the end of February. As COVID concerns accelerated, the total value of our investments fell to \$47.2 billion in March, a loss of \$7 billion since the beginning of the year.

Although no one saw the COVID-19 virus coming, the resulting economic downturn did not catch TRS off guard. For years, economists have continually predicted that an economic downturn eventually would occur in the financial markets. Heeding those predictions, TRS has employed a "defensive" investment strategy to guard against

unforeseen drops in the investment markets.

For instance, when TRS decides each year how much money to commit to stocks, bonds, real estate and other investment markets, the System runs "stress tests" on the portfolio to help determine how best to protect assets during a downturn.

In all situations, the System's top investment goals are to protect assets and keep investment risk as low as possible. After that, the goal is to make prudent investments to increase the size of the fund. Some examples:

- TRS has a highly-diversified portfolio that doesn't have all the eggs in one basket. Traditionally, these different markets play off one another – if one drops, others rise.
- TRS only has approximately 33 percent of its investments in the stock market, which is more volatile than other investment types. That's low for a large public pension system.
- TRS has 26.6 percent of its assets in bonds, about 15.4 percent in real assets, 12.5 percent in private equity opportunities and 12.5 percent in investments designed specifically to help

**COVID-19 Effect** *continued on pg. 2*

## COVID-19 Effect *continued from pg. 1*

lessen the effects of an economic downturn, including hedge funds and cash.

Looking back on the last five months, the defensive strategy employed by TRS worked. The System was able to minimize its losses and quickly reclaim value.

Month	TRS Portfolio
April	\$50.2 billion
May	\$50.6 billion
June	\$51.6 billion
July	\$53.4 billion
August	\$54.0 billion

However, the System's final rate-of-return for fiscal year 2020, which ended on June 30, was seriously affected by the COVID-19 economic body blow. The System earned 0.6 percent during the 12-month period, reflecting the downturn in March. At the half-way point in fiscal year 2020, the TRS one-year investment return was 13.4 percent.

During the January-March quarter of 2020, the TRS investment return was -9.95 percent, net of fees. But in general, the negative investment returns for various stock market measurements indicate that the TRS portfolio held up comparatively well during the downturn.

For instance, the Standard & Poor's 500 index returned -19.6 percent during the January – March quarter. The Northern Trust Corporation's analysis of the 300 largest U.S. institutional investors indicated that the median return for public pension plans between January and March was -12.6 percent. A similar analysis of public

pension systems by Wilshire Associates found that the median return was -12.8 percent during that quarter.

TRS investments have recorded positive returns annually throughout the decade following the 2008-2009 worldwide financial crisis. All returns in this chart are net of fees:

Fiscal Year	TRS One-Year Return
2020	0.6%
2019	5.2%
2018	8.5%
2017	12.6%
2016	0.01%
2015	4.0%
2014	17.4%
2013	12.8%
2012	0.8%
2011	23.6%
2010	12.9%

For TRS members, the most important measurement is the long-term rate-of-return. Currently, the TRS 40-year return is 9.0 percent, net of fees. That exceeds the System's assumed long-term investment rate of return, which currently is set at 7.0 percent. Most members have relationships with TRS that last decades. Steady, positive returns over 30 or 40 years are more important to people with a long-term stake in the System than short-term measurements.

## Two Accelerated Benefit Programs Exceed Expectations

The number of TRS members participating in the state's two "buyout" programs is exceeding original projections.

Last spring, **Gov. JB Pritzker** praised the programs as one way to help reduce the total pension obligations of TRS and Illinois' other public retirement systems. The governor has directed the state's retirement systems to "share best practices so that the value of the buyout program can be maximized across all systems."

Initially, TRS projected that the System would need \$194.5 million during fiscal year 2020 to pay all accelerated benefit payments. But throughout 2020, that estimate has been increased to at least \$293 million. All payments made through the program are funded by the proceeds of state bond sales and not from TRS assets.

Between January and September of this year, 763 retiring Tier 1 members elected to participate in the Accelerated Annual Increase (AAI) Program, which is

**Exceed Expectations** *continued on pg. 3*

## Exceed Expectations *continued from pg. 2*

19.3 percent of all retiring members. Altogether, these members are in line to receive \$108 million in lump-sum payments. In return, the future automatic annual increase in their pensions will start at age 67 and be 1.5 percent, not compounded. Retiring members who choose not to participate in the program will continue to receive a 3 percent compounded annual increase starting at age 61.

During the first six-month “participation window” for the inactive member Accelerated Pension Benefit

(APB) Program, 10.6 percent of 14,598 eligible members accepted a lump-sum payment and gave up all future claims to a TRS pension. The 1,545 members who agreed to the program are in line to receive a total of \$187 million. Only inactive members who would be eligible for a future TRS pension are eligible for this buyout program. The second participation window for 1,100 newly eligible inactive members began in late September.

## New Trustees Elected and Appointed, New Board President Appointed



Trustee  
**Beth Anderson**



Trustee  
**Matthew Shattock**



Board President  
**Devon Bruce**



Ex officio and State  
Superintendent of Education  
**Dr. Carmen Ayala**

The enactment of a new state law in January resulted in significant changes to the TRS Board of Trustees – an increase in the size of the Board to 15 members, as well as a new procedure for selecting a Board president.

The law added two new members to the Board – one elected by active members and one appointed by the governor.

Trustee **Beth Anderson** of Ashkum was elected by Board acclamation last spring to represent active TRS members. She began a three-year term in July. Trustee Anderson is a special education teacher in Kankakee School District 111 and president of the District 111 chapter of the Illinois Federation of Teachers (IFT).

Trustee Anderson was the only active TRS member who submitted the required 500 valid signatures needed to be a candidate in a special Board election that would have occurred on May 1. With only one eligible candidate, the election was not required.

Because Trustee Anderson has been a member of the IFT for the last five years, she also meets a secondary requirement in the new law that created her Board seat – she is not a member of the Illinois Education Association (IEA).

The statute mandates that only four of the five elected active member trustees on the TRS Board can be members of the same statewide teacher organization, if that organization has at least 10,000 members. The fifth elected trustee must be a member of a different statewide teacher organization with at least 10,000 members. Four of the current elected active trustees are members of the IEA.

Trustee **Matthew Shattock** of Lake Forest was appointed to the Board in July by **Gov. JB Pritzker** to replace former Trustee **Laura Pearl** of Glenview. Trustee Shattock is the former chief executive officer of Beam Suntory

**Board News** *continued on pg. 4*

## Board News *continued from pg. 3*

Incorporated and previously served as president of Cadbury PLE – Britain, Ireland, Middle East and Africa.

With the addition of these newest members, the Board currently has 14 members. The 15th seat also is a gubernatorial appointment.

The new law also requires the governor to appoint the president of the TRS Board from among its existing members. Since the creation of TRS in 1939, the Board president had been the state school superintendent by law.

Trustee **Devon Bruce** of Lake Forest was appointed president of the Board in January by Gov. JB Pritzker.

He replaces State Superintendent of Education

**Dr. Carmen Ayala**, who had served as TRS Board president since February 2019. Trustee Ayala remains on the Board as a member ex officio.

President Bruce is an attorney with Power, Rogers and Smith in Chicago. He also is a veteran of several state government boards, including the University of Illinois Board of Trustees and the Illinois State Board of Investment.

## TRS Trustee Candidate Petitions Will Be Available on TRS Website Nov. 1

The election of two active teacher trustees and one annuitant trustee to the TRS Board of Trustees is set for Monday, May 3, 2021. All three seats up for election will fill four-year terms. Two trustees will be elected by active TRS members and one trustee will be elected by members who are annuitants.

To be nominated and placed on the ballot, prospective candidates must meet all eligibility requirements and collect and deliver to TRS a minimum of 500 eligible

signatures as defined by state law. Instructions for gathering signatures on the petitions, blank petitions and the Board of Trustee election rules will be available Nov. 1, 2020 on the TRS website.

Before circulating petitions, please carefully read the instructions. Completed and notarized petitions may not be returned to TRS prior to Jan. 1, 2021 and must be returned to TRS no later than 4:30 p.m. on Jan. 30, 2021.

## Help TRS Protect Your Personal Identifying Information



A top priority at TRS is to protect as much of your personally identifying information (PII) as the law allows from unwanted use or intrusion. But you and your family also play important roles in strengthening that shield.

### Identity Theft

Identity theft continues to be one of the most reported consumer crimes in the nation. Don't fall for scams that come via email or over the

telephone. For instance, TRS will never email you requesting your TRS member identification number, your TRS password, birthdate, Social Security number or any other sensitive data. TRS will only send confidential data to members through the U.S. mail.

If you receive an email requesting this type of information, it is not from TRS. It is likely from someone who is trying to obtain PII from you so that it can be used for an unauthorized purpose. This practice is commonly called "phishing" and is an attempt to get your PII while pretending to be a trustworthy source.

**Protect PII** *continued on pg. 5*

## Cybersecurity

Cybersecurity is a top priority at TRS. The System receives thousands of emails daily and uses tested screening technology to filter as much of the suspicious communications and potential cyber viruses before it ever reaches TRS staff. The System trains all staff not only how to identify potential cyberattacks, but also in methods to keep member information secure.

However, TRS recognizes that cybercriminals are continually changing their methods and software in order to maneuver around current protections. We too, are constantly monitoring and modifying our security measures.

## Freedom of Information Act

While TRS works hard to protect every member's PII, there are some instances where TRS is required to disclose your benefit information when a public record request is filed under the Illinois Freedom of Information Act (FOIA).

Under FOIA law, the media, academic researchers, private businesses and members of the general public can request data on every active and retired TRS member. TRS member information that must be released includes name, age, membership dates, employers, contribution amounts, creditable earnings and service and benefit amounts.

TRS does not and will not disclose private and personally identifiable information such as your Social Security number, birthdate, any part of your home address, personal email address, telephone number or bank account information.

## Firm Will Conduct National Search for Next TRS Executive Director



Interim Executive Director  
**R. Stanley Rupnik**

Teachers' Retirement System will employ an executive recruitment firm to help the Board of Trustees conduct a national search for the System's next executive director.

A new executive director will replace **Richard W. Ingram**, who resigned in August after almost a decade in the position.

Chief Investment Officer **R. Stanley Rupnik** was named interim executive director and will serve in both capacities until a permanent executive director is hired. Director Rupnik has been with TRS since 2003 and was named chief investment officer in 2006. He previously served as interim executive director between 2009 and 2011.

Prior to submitting his resignation, Director Ingram had been placed on administrative leave unanimously by the Board following the results of an investigation into "issues" with his performance as outlined by his employment contract. The investigation was conducted by the Chicago law firm of King & Spaulding.

The issues under investigation by King & Spaulding did not affect the status of current or future pensions for TRS members.

**Director Rupnik previously served as interim executive director between 2009 and 2011.**

## Update: COVID-19 Causes Surge in TRS Retirements During July and August



The COVID-19 pandemic continues to spring surprises on all of us.

After experiencing a normal “teacher retirement season” in 2020 between January and June, TRS saw an unprecedented surge in the number of member retirements during July and August, a time when retirement applications traditionally fall off.

Between January and June of this year, 3,494 members retired. While that number exceeded the 2019 total of 3,311 for the same time period by 183 members, the 2020 total was not statistically significant because the average number of retirees for that period during the preceding five years was 3,688.

But in July and August of 2020, 424 members retired, which significantly beat both the 2019 total for those two months – 296 – and the two-month average for the previous five years of 275.

TRS does not record or ask members why they are retiring because that information is not needed for the administration of benefits.

Anecdotally, though, many members who retired in July and August said their decisions were related to the various effects of the COVID-19 pandemic. The surge also came at a time when school districts across Illinois were outlining their return-to-school plans for the start of the 2020-2021 school year.

Students, TRS members and parents have worked diligently and cooperatively to reopen classrooms – either in person or virtually – **and TRS staff has not cut back on the services the System provides to members. We are here for you.**

TRS offices remain closed to visitors, so all appointments with the System’s retirement counselors will continue to be held over the telephone. A recent survey of TRS members contacting the System revealed that members prefer, almost two-to-one, to connect with TRS electronically. No date has been set yet for the resumption of in-person counseling sessions.

TRS appreciates the way members have adjusted to this “new normal.” During a recent week, counselors participated in 31 teleconferences virtually with members or an average of six meetings each day.

Members contacting the TRS Call Center will continue to have their questions answered quickly. In a recent week, TRS staff fielded 2,497 calls and 703 emails from their homes and the TRS offices.

All TRS beneficiaries will continue to be paid in full and on time. Since April, staff have administered the benefit payroll from their homes without a problem. We expect no

disruption in payments as the year continues.

This year’s Fall Member Meetings – a staple on the TRS calendar – are being held online instead of in-person. Through mid-September, 1,060 members had attended 19 virtual meetings.

In order to participate in a virtual Fall Member Meeting, members must register for a specific meeting in advance on the TRS website.

The webinar capacity for each meeting is 250. A full schedule of the remaining Fall Member Meetings is available online: [www.trsil.org/Fall\\_Member\\_Meetings](http://www.trsil.org/Fall_Member_Meetings)

The Fall Member Meetings are designed to explain the retirement process and to provide members with information about disability, death and insurance benefits. Tier 1, Tier 2 and inactive members are invited to attend.

*The awful toll of the coronavirus continues to invade the lives of TRS members and their families. Through September, 101 TRS members have passed because of the COVID-19 virus – an irreplaceable loss of intellect, talent and humanity for their friends, families and colleagues.*

## Verify Email is Current For 2020 TRS Benefits Report Notification



In late November, active and inactive members will be notified via email that their 2020 TRS Benefits Reports are available for viewing online. Reports are only sent to members who are not yet collecting a benefit. Retirees do not receive TRS Benefits Reports.

The report will summarize the following information about a member's TRS account: service credit, refundable contributions, beneficiary refund, beneficiaries, sick leave service and 2.2 upgrade information.

If you are an active or inactive member who has not provided your email address to TRS and you received this newsletter by mail, please visit [www.trsil.org](http://www.trsil.org). Select "Member Login" on the home page to begin creating your online account. You will need your Member ID. If you do not know it, call us at 877-927-5877 (877-9-ASKTRS).

Additionally, please enter your email address under the contact information in the secure area so you will receive future emails from us and be notified when the 2020 TRS Benefits Report is online.

## Fall TRAIL Medicare Advantage Prescription Drug Open Enrollment Period

The TRAIL Medicare Advantage Open Enrollment Period for the 2021 plan year will be Oct. 15 - Nov. 16, 2020.

Most TRIP members who are eligible for Medicare Parts A and B must enroll in one of the TRAIL Medicare Advantage plans offered in his/her county of residence in order to keep TRIP insurance coverage after Dec. 31, 2020.

In the fall, CMS will send out information about the TRAIL Program.

If you are already enrolled in TRAIL, you have two options:

- If you want to make a change to your TRAIL insurance coverage or add a dependent, the fall Open Enrollment Period is the time when you can make that change.
- If you want to maintain your current TRAIL coverage, you don't have to do anything. Your insurance coverage will automatically continue as it is in 2021.



Visit the Total Retiree Advantage Illinois (TRAIL) Program page on the Central Management Services website at <https://www.illinois.gov/cms/benefits/trail/Pages/default.aspx> for more information.



# TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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## Fall 2020



### Go Green!

To receive this newsletter electronically, send an email to [members@trsil.org](mailto:members@trsil.org). Include your full name, zip code, the last four digits of your Social Security number and your email address.

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