



TRS Benefits for New Members:

Teachers' Retirement System
Nicholas Stabler, Outreach Coordinator

trsil.org/NewMembers

TRS Function and Demographics ...

Teachers' Retirement System - A State of Illinois Agency

- Created by legislative act in 1939
- THE pension fund for K-12 public school educators (outside of Chicago)
- Invest member and State contributions
- Administer retirement, disability, and death benefits **based on legislation**

FY 2024 Membership

- Total - 456,101
- **Active - 171,754 (43.3% Tier 2)**
- Inactive - 151,445
- Benefit Recipients - 132,902
- Average Pension, all retirees - \$66,516
- Oldest Retiree - ??? yrs old: retired since ???
- Oldest Active Full-time Teacher - 85 years old

Why Care about TRS and Retirement NOW?



- ▶ You have a financial investment from DAY 1
- ▶ Creates a stable foundation of a life-time pension
- ▶ Early investment gives you greater flexibility later!*

*Remember this!

Financial Literacy: “DB” vs. “DC”

Defined Benefit (TRS Pension)

- ▶ TRS and all other IL public pensions
- ▶ All members contribute 9% of gross earnings
- ▶ All the contributions are pooled
- ▶ The assets are collectively managed
- ▶ Benefits are calculated using a legislated formula
- ▶ Benefits are paid **FOR LIFE**
- ▶ The **risk** is borne by the **employer (State of Illinois)**

Defined Contribution (Optional)

- ▶ IRA, 403(b), or **TRS-SSP 457(b)** plan
- ▶ Supplements your pension
- ▶ Participants choose how much they contribute and how it is invested
- ▶ Benefit is based on the member's account balance at retirement and life expectancy.
- ▶ The **risk** is borne by the **individual**

TRS Contributions

- Employee Contribution - 9% of gross earnings (pre-tax)
- 2/3 of School Districts/Employers pay all or a portion of the employee contribution on behalf of the employee
- Salary of \$45,000 with employer-paid contributions results in \$49,450 in TRS Reportable earnings

Question:

“Does this school district pay any portion of the 9% employee TRS contribution?”
(\$50,000 v. \$54,945)

Tier 2 Retirement Eligibility

“RETIRE” = Collect a Pension

- Age 67 with a minimum of 10 years of service
- Age 62 with a minimum of 10 years of service for “early retirement”
 - Early benefit will be reduced by 6% for each year the member is under age 67
 - TRS-SSP or other outside investment can supplement a reduced pension

$$\begin{aligned} & \text{Years of Service} \\ & \times 2.2\% \\ & \times \underline{\text{Final Average Salary}} \\ & \text{Annual Pension} \end{aligned}$$

Service Credit is more than just years worked:

- Converted Sick Days (up to TWO YEARS!)
- Purchased Service
- Reciprocal Service

Final Average Salary can be “manipulated”:

- Extra duty stipends
- Salary “lane changes”

Maximizing Your Pension

Maximum is 75% of your Final Average Salary

- ▶ 34.000 Years of Service will allow you to reach the maximum of 75% of your FAS
- ▶ Additional years of work continue to grow Final Average Salary
- ▶ OK to stop working and wait until age 67 to receive non-reduced pension
 - Explore a second career
 - TRIS-SSP (DC) investments can provide “bridge income” or supplement reduced pension

Annual Increases

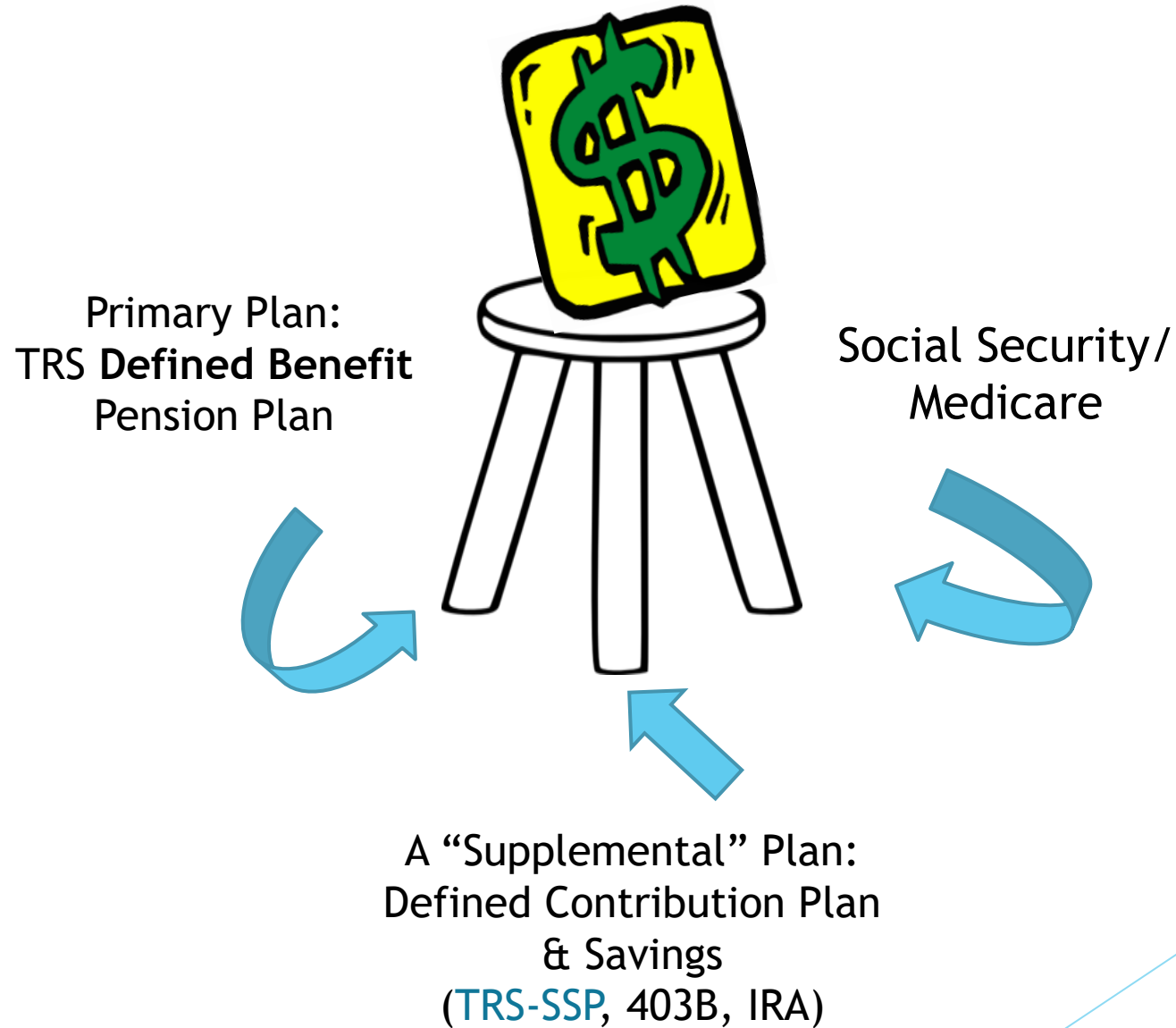
Tier II

- Beginning after age 67
- Must be retired at least one year
- ½ Consumer Price Index, capped at 3%

Teachers' Retirement System

- What we do:
 - Counsel members regarding their retirement
 - Provide Benefits Estimates
 - Instruct members on how to enhance their benefit through added service credit and final average salary
 - Provide health insurance information and resources (TRIP)
 - Counsel members regarding TRS Disability and Death Benefits

Retirement Basics: A Model Plan



“Early investment gives you greater flexibility later.” – Nick Stabler, 15 minutes ago

“Bringing more” with a separate savings plan will supplement your TRS pension and enhance your retirement.

The TRS-Supplemental Savings Plan (SSP) is an optional DC component available to all full-time and part-time contractual members.

- ▶ 457(b) plan administered by VOYA Financial
- ▶ Pre-tax and Roth (post-tax) savings options
- ▶ **New TRS members will be auto-enrolled at 3% of gross pay starting January 1, 2023**





SUPPLEMENTAL SAVINGS PLAN

TRS SSP Overview

Automatic Enrollment



TRS members hired or rehired on or after 1/1/2023



Approximately 30-60 days after employment begin date



3% pre-tax payroll contribution



Contributions will be invested in Target Date Retirement Fund (closest to expected retirement date at age 65)

TRS Supplemental Savings Plan 457(b)

Traditional 457(b)

- Pay Tax upon Withdrawal
- Pre-tax Contribution
- Tax-deferred Earnings
- \$23,000 Contribution Limit (2024)
- Age 50+ Catch-Up: \$7,500
- Rollovers (must be from qualified account)

Roth 457(b)

- After-tax Contribution
- Tax-free withdrawals (as long as certain qualifying conditions are met)
- \$23,000 Contribution Limit (2024)
- Age 50+ Catch-Up: \$7,500
- Rollovers (must be from a qualified account)

Distribution Options

How to access your funds

- ✓ Funds are accessible after separation from service.
- ✓ You can turn the funds into income and receive a set monthly amount.
- ✓ You can take a lump sum distribution.
- ✓ You can pull from it as needed.
- ✓ You can set up systematic withdrawals for a specific period of time.
- ✓ Required Minimum Distributions (RMD's) are required at 73.

Compare Your Savings Opportunities

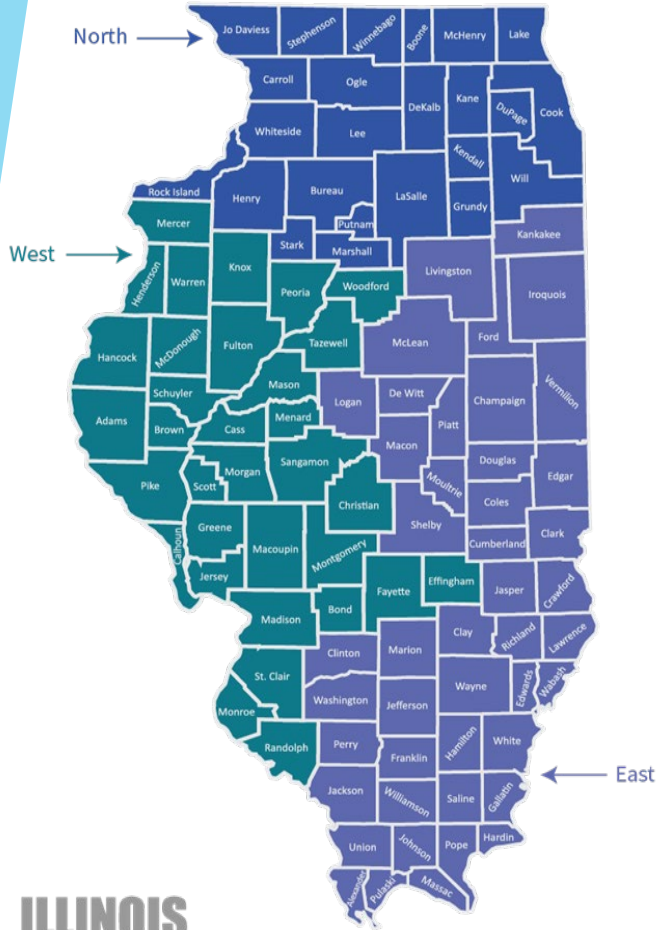
TRS 457(b)

- Eligibility (TRS active member)
- Distribution (no 10% penalty)
- Three-year special catch up
- Unforeseen emergency

403(b)

- Eligibility (Check with district)
- Distribution (10% penalty)
- 15-year catch-up
- Hardship/loan

TRS SSP Retirement Education Specialists



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SERVICES

- TRS SSP plan information and education
- 1-on-1 appointments
- Financial wellness education
- Investment education
- Retirement planning
- Webinars and seminars

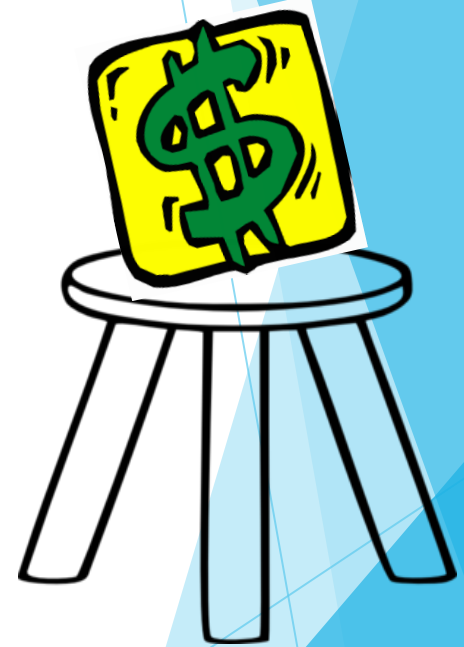
To schedule an appointment, go to <https://trsssp457b.timetap.com>



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A few words about Social Security

- As a teacher in Illinois, you do not pay Social Security tax on your teaching salary (similar to 15 other states)
- Social Security benefits earned through outside employment are available to you at Social Security retirement age
- Medicare (SSA healthcare component) **IS** available to TRS members. 1.45% of earnings are deducted as Medicare Tax



BONUS INFO!

You can reduce your Illinois State Tax liability by \$500 if you purchased materials for your classroom that were not reimbursed by your school.

Save those receipts!

Contact Information

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