



What's Happening to our TRS Pension?

Mt. Zion Workshop January 4, 2021




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Welcome



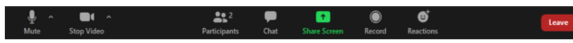

- Thanks for inviting TRS to participate
- Mute during the presentation
- Please use only one device
- May wish to turn camera off when we start
- Questions
 - Use Chat OR
 - Raise Hand at the Breaks




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Welcome

Zoom Meeting Control Bar


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TRS
in Context:

History,
Finance, &
Legislation

- TRS Demographics
- **TRS Financials**
- **COVID-19 Impacts**
- **TRS DC Plan**
- Employer Reporting
- **Legislation**
- Retiree Health Insurance (TRIP)
- **Constitutional Protection**
- Contact Information

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Pensions – Deferred Compensation

The diagram features a white stool with four legs. On top of the stool is a yellow square with a green dollar sign. To the left of the stool is a blue curved arrow pointing from the 'Primary Plan' text towards the stool. To the right of the stool is another blue curved arrow pointing from the 'Social Security/Medicare' text towards the stool. Below the stool, the text 'Supplemental Plan: Defined Contribution Plan & Savings (Ex: TRS/SSP, IRA, 403B, 457 ...)' is displayed.

Primary Plan:
Defined Benefit Pension Plan
(Example: TRS)

Social Security/
Medicare

Supplemental Plan: Defined Contribution Plan & Savings
(Ex: TRS/SSP, IRA, 403B, 457 ...)

TRS

Teachers' Retirement System

- **Purpose**
 - Created in 1939
 - Illinois Teachers outside Chicago
 - TRS provides its members with retirement, disability, and survivor benefits
- **FY 2020 Membership (unaudited)**
 - Active Members – 163,115 (**31.2% Tier 2**)
 - More Tier 2 than Tier 1 – FY 2025-2026
 - Inactive members – 138,249
 - Annuitants/Beneficiaries – 125,927
 - Ratio to FT Actives to Annuitants – 1.36 (2010) to 1.09
 - Oldest Retiree – 109 (as of July 2020)
 - Oldest Active Teacher – 81 (as of Aug. 2020)

Major Benefit Changes in TRS

1939: No Disability, No Health Ins., No COLA (Post-retirement Annual Increase), No Survivor Benefits
 1959: Survivor Benefits added
 1964: Early retirement allowed with reduced benefit
 1969: 1.5% Simple COLA (1/2% Contribution)
 1969: Max benefit increased to 60% of avg. salary
 1972: Service credit given for unused sick leave
 1980: First health insurance program established
 1990: Part-time/Substitute teachers join TRS
 1990: 3% Compounded COLA (SS COLA 5.4%)
 1998: 2.2 Formula Upgrade enacted
 2005: New Employer Cost (6% salaries/sick leave, .58%)
 2011: Tier 2 created for new members
 2019: Two new Buyout Programs – Actives & Inactives

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TRS Financials

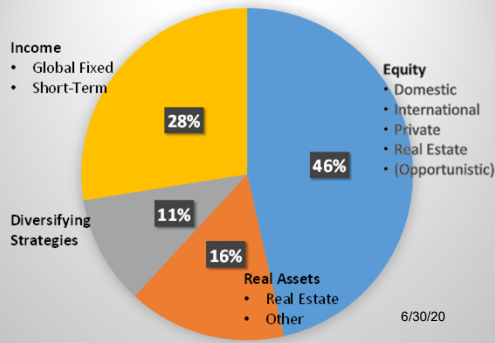


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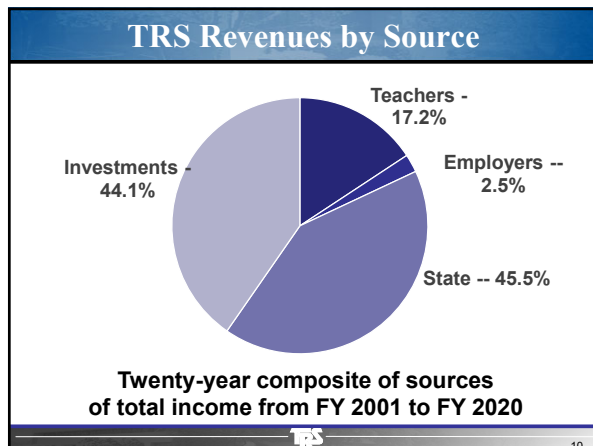
TRS Investments -- \$52.3 Billion



TRS

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Investment Results

Fiscal Year	Investment Return Gross of Fees	Benchmark	Market Value
FY 2016	0.7%	2.4%	\$44.7 Billion
FY 2017	12.6%	11.4%	\$48.8 Billion
FY 2018	9.17%	8.19%	\$51.5 Billion
FY 2019	5.15%	7.16%	\$52.7 Billion
FY 2020	0.55%	5.48%	\$51.6 Billion
30-year Return	7.7%	40-year	9.17%

Long-term performance remains strong and is more important than short-term results.

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Funded Ratios--June 30, 2020

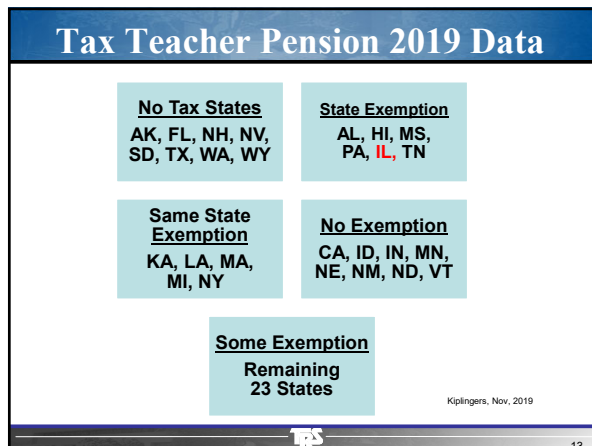
Total Unfunded Liability of State Systems -- \$144.3 B ⁽¹⁾

- TRS 40.5%
- SERS 38.7%
- SURS 42.2%
- JRS 39.3%
- GARS 17.1%
- STATE 40.4%
- Chicago Tch 47.4% ⁽²⁾

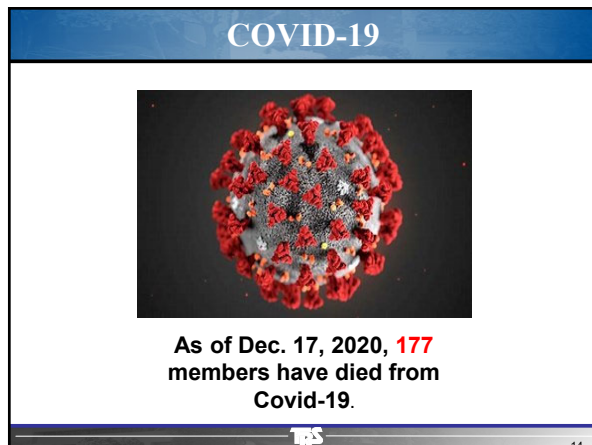
(1) COGFA (2) Chicago Tch, FY 19

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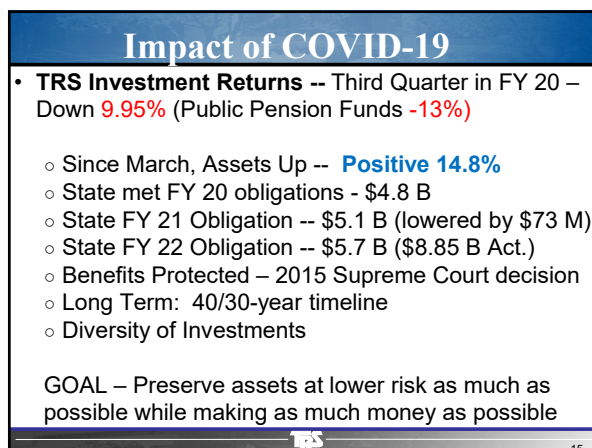
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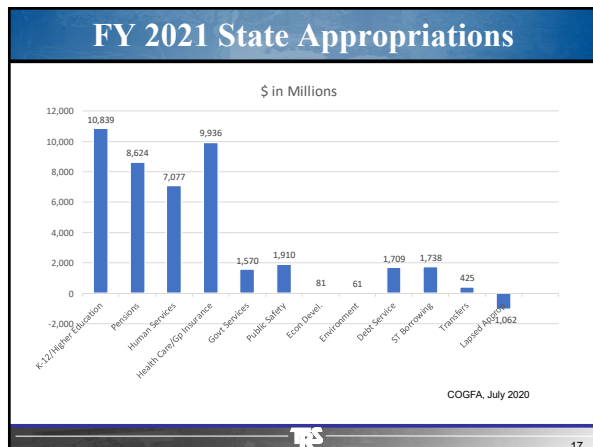
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Impact of COVID-19

State Revenues

- State Taxes
 - FY 2020 – COGFA \$1.1 B below last yr levels
 - FY 2020 – Big Three down \$947 M
 - FY 2021 – Revised Down \$4.2 B
- Bonding Ability
 - Bond Sales -- \$ 800 M in May, \$850 M in Oct.
- Borrowing Support from the Fed. Reserve--\$5 B
 - Borrowed \$1.2 B, paid \$200 M in FY 2020
 - Proposed \$2 B in FY 2021
- Addition COVID Federal Bill ??
- Progressive Tax -- \$2.1 B in FY 20 and beyond, Lost 47-53%

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TRS Supplemental Savings Plan (TRS SSP)


SUMMARY

- Another DC Plan Option for TRS Members
 - Full-time and Part-time Contractual
 - Low Cost
 - Purchase Bonds/Stocks Directly
- Portable within Illinois Districts
- Participants already in 403(b) plans can maximize retirement savings in the TRS SSP 457(b) plans
- Availability of Loans

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TRS Supplemental Savings Plan (TRS SSP)

- Required by 2018 State Law – PA 100-769
- It will be a 457(b) Defined Contribution Plan
- Target Go-Live Date – 2nd or 3rd Quarter of 2021
- The plan's mandate is to offer **high quality investments at a low cost** and participants can expect TRS to meet that mandate.
- TRS SSP will provide a diversified mixed of asset categories for investment including active and passive (index) options.


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TRS Supplemental Savings Plan (TRS SSP)


- Employee contributions will be voluntary and will be deducted as a flat dollar amount initially and then as a percentage of pay.
- Both pre-tax and Roth 457(b) contributions will be allowed up to the applicable limit.
- Employee contributions will be 100% vested immediately.
- Rollover contributions to the plan will be allowed from other eligible plans including a 403(a), 403(b), 401(a), 457(b), Roth IRA, Simple IRA
- Maximum Contribution limit - \$19,500 to each plan in 2020

TRS Supplemental Savings Plan (TRS SSP)

- Catch-up contributions, both Age 50 and Special 3-year Catch-up, will be allowed for qualifying participants.
- The TRS Board finalized the investment options at their June Board meeting.



- TRS has hired a recordkeeper to partner with TRS on admin. and communication – **VOYA Financial**
- Look for joint TRS/**Voya** virtual meetings prior to go-live



Investment Options – Oct. 29, 2020

DETAILED OPTION		
BlackRock LifePath® Index K Series – 0.09%		
CORE ARRAY		
CAPITAL PRESERVATION		
STABLE VALUE	MONEY MARKET	
BlackRock PLUS Index Fund R0 – 0.53%	Vanguard Federal Money Market (FMOXX) – 0.11%	
CORE FUND DIVERSIFYING FIXED INCOME		
INTERMEDIATE	HIGH YIELD	MULTISECTOR
BlackRock US Debt Index Fund F – 0.0279%	PIMCO High Yield Bnd (PHYQX) – 0.40%	PIMCO Income Instl (PMIXX) – 1.09% (0.50%) ¹
DOMESTIC EQUITY		
LARGE BLEND	MID BLEND	SMALL BLEND
BlackRock Equity Index Fund F – 0.0087%	BlackRock Mid Cap Equity Index F – 0.013%	BlackRock Russell 2000® Index Fund F – 0.0186%
GLOBAL/INTERNATIONAL EQUITY		
FOREIGN LARGE CAP		
BlackRock MSCI ACWI ex-U.S. Index Fund F – 0.0597%		
INFLATION HEDGE		
REIT		
Vanguard Real Estate Index Admiral (VGSIX) – 0.12%		
SOCIALLY RESPONSIBLE ASSET		
Garcia Hamilton ESG Core Bond Fund – 0.32%		
BlackRock MSCI ACWI ESG Focus Index Fund F – 0.09%		
SELF-DIRECTED BROKERAGE ACCOUNT		

The investment lineup for the Plan was approved during the October 29, 2020 Board meeting.

¹ The fee in parentheses represents the portion of fees investors pay directly to FIMCO for investment management. This fee includes other investment expenses (e.g. interest earned) not borrowed interest from borrowing transactions.

Data Source: Morningstar as of 09/30/2020

Investment Information: For Your Spouse Use Only © 2020 All Rights Reserved

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Employer Reporting

- Gemini software is being developed to accommodate the new Defined Contribution Plan
- Been working with payroll vendors on this project. We estimate that 80-90% of districts employ a payroll vendor
- TRS will be requiring employers to switch from the current Annual Reporting process to reporting every pay period
 - DB – every pay period or once a month
 - DC – every pay period

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Employer Reporting

- Employer Bulletin FY 21-4
<https://www.trsil.org/sites/default/files/documents/FY21-04.pdf>
- TRS Board of Trustees has announced plans to hire a professional services firm to perform a project assessment of Gemini.
- For the 2020-21 school year, all employers will file an annual report with TRS with a due date of August 15, 2021

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Employer Reporting

- The switch from annual to pay period-based reporting requires district to stop accelerating contributions in order for TRS to **validate** contributions
- New Employer Portal for File Upload or Data Entry
- Substitute Salary/Hours will be reported to TRS**
- TRS will continue to work with payroll vendors to implement necessary changes



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Employer Reporting

TRS staff gave a Gemini update in September 2020 to Illinois Association of School Business Officials (IASBO) attendees

- Videos and other updates can be found at <https://www.trsil.org/employers/Gemini>


Contact **Employer Services Department** if you have questions – 888-678-3675




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QUESTIONS





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Legislation





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2019 Legislative Action

1. Optional Pension Buyout for eligible Inactive members – extended until June 30, 2024 (irrevocable) – PA 101-10

- 60% of lifetime value (APV) paid to a qualified tax shelter or cash option
- HB 2029 (PA 101-242) clarifies that TRIP is available to those who elect to participate

- 1595 elected/15,770 (80% rollovers)
- Avg. Buyout = \$119,150

6/30/20




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2019 Legislative Action

2. Accelerated Annual Increase (AAI) Program

- Only Tier 1 members are eligible
- Decision is irreversible
- Must retire on or before June 30, 2024 – PA 101-10
- Trade your 3% compounded COLA for:
 - 1.5% simple COLA which begins at age 67
 - Plus a lump sum 70% of difference in lifetime value
- Paid to a DC plan or a cash option
- Paid from a bond sale not from TRS Trust Fund



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An Example

60 year old, 33 years of service, \$80,000 FAS, \$58,000 Pension

- Buy Out -- \$162,000
- Projected Loss -- \$149,000 @ Age 78


▶ **More Info: 1,998/7,936**
 ▶ **Y-1489 (19%) 73% Rollovers**
 ▶ **Average Buyout = approx. \$136,492**

▶ 11/4//20



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2019 Additional Legislative Action




- **HB 1472 (PA 101-49)** -- Extends the sunset provision for retired teachers to return to teaching in subject shortage areas to June 30, 2021. **41 approved, 8 denied 1/31/20**
- **HB 2078 (PA 101-443)** – Gradually increases Minimum Teacher Salary to \$40,000 by 2024.
- **SB 1300 (PA 101-610)** adds 1 elected member (**Beth Anderson**, IFT president in Kankakee) & 1 appointed member to the TRS Board. Allows the Governor to appoint the president of the Board from among the Trustees.


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TRS Board of Trustees

<p><u>Actives - Elected</u></p> <ul style="list-style-type: none"> • Mark Bailey • Beth Anderson • Marsha Byas • Andrew Hirshman • Fred Peronto <p><u>Retirees – Elected</u></p> <ul style="list-style-type: none"> • Larry Pfeifer • Doug Strand 	<p><u>Governor Appointments</u></p> <ul style="list-style-type: none"> • Devon Bruce (chair) • Norma Belcoff • Matthew Hunt • Maureen Mena • David Miller • Matthew Shattock <p><u>Statute-ISBE Supt.</u></p> <ul style="list-style-type: none"> • Dr. Carmen Ayala
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2020 Legislative Proposals

As of February 2020

- **SB 1857** – Among other provisions, allows until June 30, 2021 (currently 2020), retirees to substitute teach up to 120 days or 600 hours (currently 100 days or 500 hours) in a school year. **PA 101-645 (see Appendix).**
- **HB 4509** -- Allows a school district, where there is a substitute teacher shortage, to apply for a waiver from TRS 120-day rule for an annuitant.
- **HB 4661/SB 3027** – Allows a member with at least 10 years of service to purchase, at actuarial cost, up to 2 years of service credit for private school service
- **HB 4948/SB 3793** – Shifts the cost of the employer's share from the State to local school districts, beginning in FY 2021

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Retiree Health Insurance (TRIP)



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TRIP

Teachers Retirement Insurance Program

Non Medicare Advantage (TRIP)

18,100*

- PPO (Teachers Choice)
- HMO
- Open Access Plan

With Medicare (TRAIL) Medicare Advantage

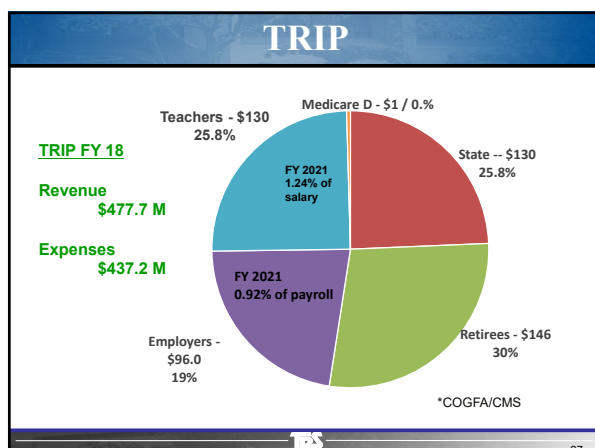
60,000*

- Preferred Provider Organization (**PPO**)
- Health Maintenance Organization (**HMO**)

* CMS, July 2020

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2020 TRIP Update

- **COVID Reminders**
 - 100% covered tests, exams and treatment
 - Telemedicine – 100% covered
- **Budget** – State funded according to statute
 - \$143 M in FY 21, \$143.4 in FY 22
- **DEVA** – Dependent Verification
 - TRIP -- Ended June 18
 - TRAIL – On Hold
- **Rolling TRAIL Enrollment**

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Things to consider when deciding on which plan to choose?

• Cost/County?	• Prescription Drugs – Tiers?
• Medical Providers?	• Travel?
• Co-Pays v. Deductibles	• Medical Conditions?

My Benefits Service Center –
mybenefits.Illinois.gov or 844-251-1777

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Let's Compare Some Benefits	Non - Medicare Advantage Eff. 7/1/20	Medicare Advantage Eff. 1/1/21
PPO – Annual Medical Deductible	\$500	\$250
PPO – Annual Out of Pocket (Member)	\$1,200 in network \$4,400 out of network	\$1,100
PPO – Doctor's Visit (in network)	80% after deductible You pay 20%	80% after deductible You pay 20%
PPO – Member Cost* per month	\$673 – under 65 \$1013 – over 65**	\$42.48
HMO – Annual Medical Deductible	\$0	\$0
HMO – Annual Out of Pocket	\$3,000	\$3,000
HMO – Doctor's Visit	\$20 copay	\$20 copay
HMO – Member Cost* per month	\$285 – under 65 \$389 – over 65**	\$36- 47

* See cost chart for more information ** No Medicare

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My Benefits



My Benefits Service Center

Web Site:
mybenefits.illinois.gov

Phone Number:
844-251-1777
Monday - Friday 8:00 AM – 6:00 PM

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Constitutional Protection




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Constitutional Protection

- **Two provisions in Illinois Constitution**
 - Contracts Clause
 - Pension Protection Clause: Article XIII, Section 5


*“Membership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which **shall not be diminished or impaired.**”*


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Pension Lawsuits


- *Lindberg (3/75), McNamee (10/96) and Sklodowski (3/98)* – drafters of Constitution **did not intend to require funding** at a certain level, unless in pension code, but indirectly to pay benefits
- *Kanerva v. Weems* – Supreme Court ruled the State's subsidization of health insurance for its retired state employees is a benefit of membership in a State pension system, 7/3/14
- *Heaton v Quinn* – Supreme Court ruled PA 98-0599, reduction in COLA is **unconstitutional**, 5/8/15


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Heaton v. Quinn Decision

- “members of pension plans . . . have a legally enforceable right to receive the benefits they have been promised.”
- “The protections afforded . . . attach once an individual first embarks upon employment . . . not when the employee ultimately retires.”
- “Additional benefits may always be added . . . and the State may require additional employee contributions or **other consideration** in exchange.”


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State Constitutions

Arizona	New York Tiers
<ul style="list-style-type: none"> First passed statutory changes <ul style="list-style-type: none"> 2016 – Police & Firefighters 2018 – Corrections officers & elected officials Then affirmed changes in the Constitution Never challenged in Court 	<ul style="list-style-type: none"> 1 – pre 7/1/73 2 – 7/1/73-7/26/76 3 – 7/27/76-8/31/83* 4 – 9/1/83-12/31/09 5 – 1/1/10-3/31/12 6 – after 3/31/12 *best 3 or 4

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TRS Contact Information

Email -- members@trsill.org
Email updates list -- members@trsill.org

Member Services: 877-927-5877
 – 8:30 a.m. to 4:30 p.m. –Monday - Friday

Employer Services: (888) 678-3675
Email – employers@trsill.org

Web page – www.trsil.org
 ➤ Online videos/Hot Topics audio, Newsletters, Bulletins, Booklets, Brochures, Forms, Twitter and Facebook

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Appendix

- AAI Program --
https://www.trsil.org/AAI_Program_Brochure
- One-Year Retiree Return to Work Program –
 Employer Bulletin 20-03
https://www.trsil.org/sites/default/files/documents/79_0.pdf
- Social Security Offsets
 WEP -- <https://www.ssa.gov/pubs/EN-05-10045.pdf>
 GPO -- <https://www.ssa.gov/pubs/EN-05-10007.pdf>


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Appendix

4. Timeline for Retirement --
<https://www.trsil.org/sites/default/files/documents/ins05.pdf>

5. Death Benefits --
<https://www.trsil.org/members/retired/guide/chapter-fourteen-death-benefits>

6. Member Account Access Login --
<https://member.trsil.org/subsections/secureaccountaccess/security/signin.aspx>


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Member Account Access Area

Actives/Inactives

- Benefit Estimates
- Beneficiary Information
- Some Demographics
- Forms/brochures
- TRS Benefit Report
- Start a Retirement Claim
- Start an ERO Sunset Refund Claim

Annuitants

- Verification Letters
 - Income
 - Insurance
- Some Demographics
- Past Benefit Reports
- Acct Receivable Statements
- Monthly/yearly earning Statements


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Contact Information

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Web site - <https://www.trsil.org>


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