

TRS Update Teacher Meeting Bloomington

April 21, 2015



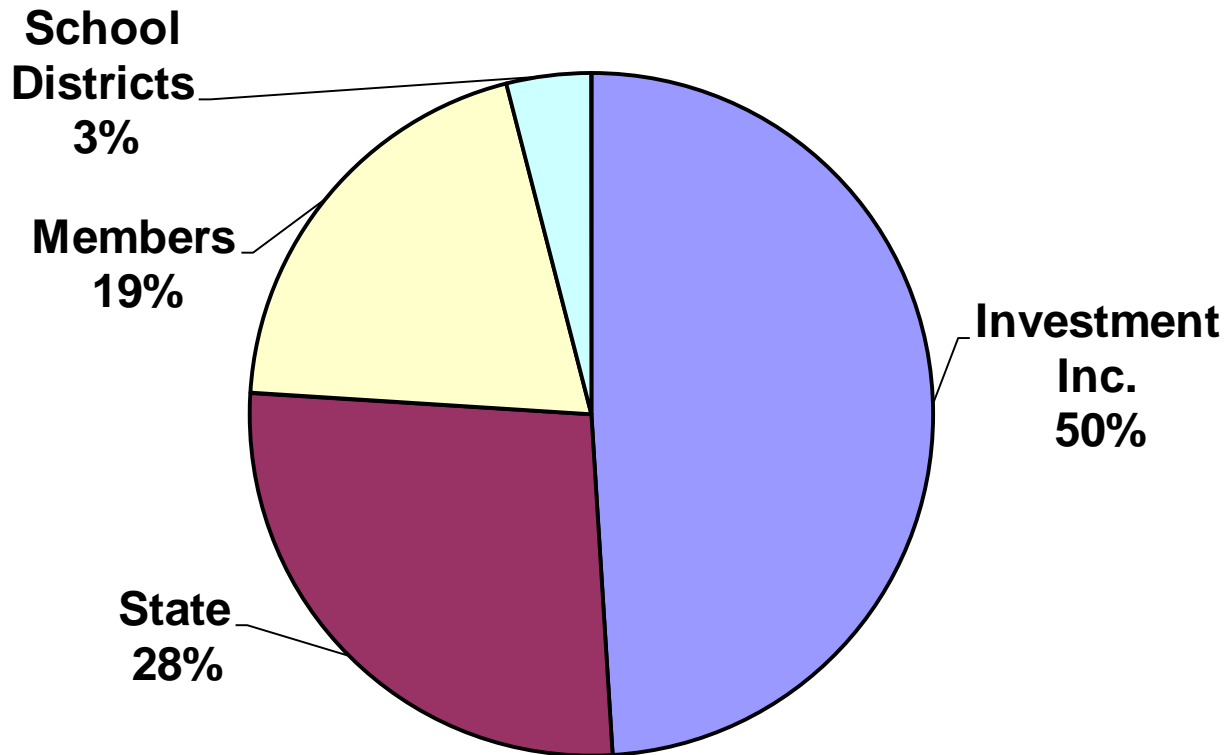


Teachers' Retirement System

- Purpose
 - Created in 1939
 - Illinois Teachers outside Chicago
 - TRS provides its members with retirement, disability, and survivor benefits
- FY 2014 Membership
 - Active Members – 159,838 (down 854)
 - Inactive members – 122,964 (up 2,639)
 - Annuitants/Beneficiaries – 112,333 (up 3,550)
 - Oldest Retiree – 108 (as of June 2014)
 - Average retiree annuity -- \$4,274 monthly (6/2014)
(up \$124)



TRS Revenues



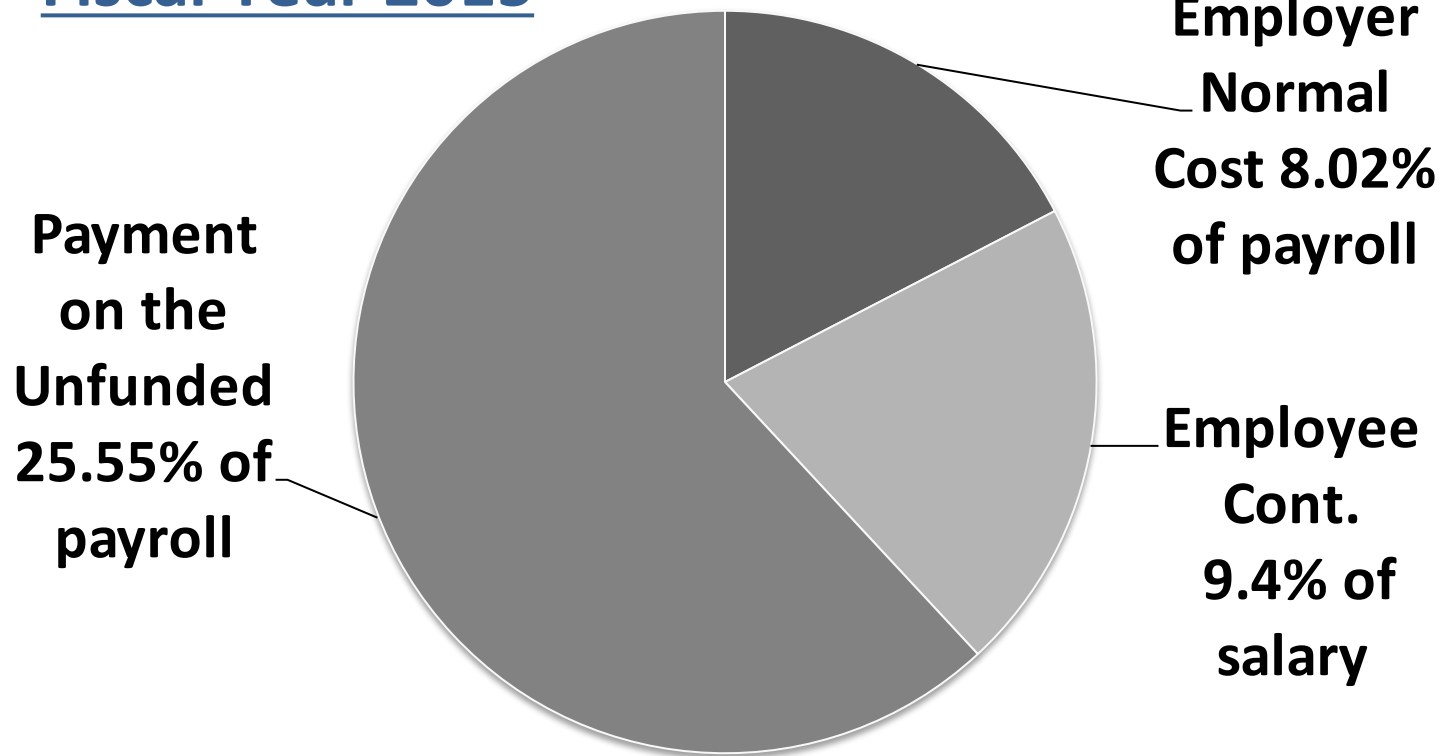
**Twenty-year composite of sources of total income
from FY 1994 to FY 2013**

* Excludes POBs



Shared Costs – Employer/Employee

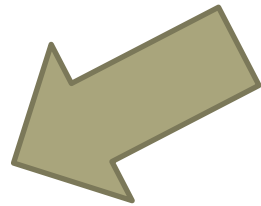
Fiscal Year 2015





Investment Results, FY 2013

Period Ending June 30, 2013



- One year: 12.8 %
 - Benchmark: 12.5%
- Three years: 12.01%
 - Benchmark: 11.9%
- Five years: 4.17 %
 - Benchmark: 4.8%
- Ten years: 7.21%
 - Benchmark: 7.4%

Market value of assets:
\$39.4 billion

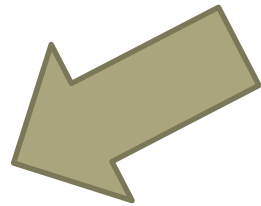
** Net of Fees*

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



Investment Results, FY 2014

Period Ending June 30, 2014



- One year: 18.1 %
– Benchmark: 16.4%
- Three years: 10.7%
– Benchmark: 10.3%

- Five years: 13.9 %
– Benchmark: 12.5%
- Ten years: 7.8%
– Benchmark: 7.3%

Market value of assets:
\$45.4 billion

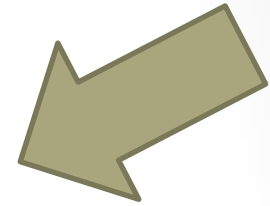
* *Gross of Fees*

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



Investment Results*

Period Ending December 31, 2014



- **FYTD:** **0.32%**
- **CYTD:** **7.70%**
- **3 year:** **12.67%**
- **5 year:** **10.76%**
- **10 year:** **6.97%**

**Total Assets: \$44.75
billion**

***Gross of Fees**



TRS Investments

TRS Investments * are On Target



• **30-year Return +9.72%**

- 2014 Return +18.8%
- 2013 Return +12.8%
- 2012 Return +0.8%
- 2011 Return +23.6%
- 2010 Return +12.9%
- 2009 Return -22.7%
- 2008 Return - 5.0%
- 2007 Return +19.2%

The *actual* rate of return determines cost.

The *target* rate of return in the actuarial model determines who pays those costs:

- Too Low – Current taxpayers pay too much
- Too High – Future taxpayers pay too much

* Net of Fees



Financial Condition

All State Retirement Systems
Assets at Actuarial Value/With Asset Smoothing
Public Act 96-0043
FY 2013

System	Funded Ratio
Teachers' Retirement System	40.6%
State Employees Retirement System	34.2%
State Universities Retirement System	41.5%
Judges Retirement System	28.3%
General Assembly Retirement System	16.2%



Projected State Contributions

All State Retirement Systems Combined

Projected Total State Contributions for FY 2014-FY 2017

Funding Projections Based on June 30, 2013 Actuarial Valuations

	FY 2014	FY 2015	FY 2016	FY 2017
State Revenues *	\$35.4 B	32.7	30.0	30.5
Reg. Pension Contributions	6.7	6.8	7.5	7.6
	19%	21%	25%	25%



Tier 2 versus Tier 1 Benefits

Tier 2: Any member hired after Jan. 1, 2011 and who had no previous service with TRS or any other reciprocal system.

Major Differences	Tier 1	Tier 2
Normal Retirement Age	60 years	67 years
Final Average Salary	Average of the highest 4 consecutive years	Average of the highest 8 consecutive years
COLA or Post Retirement Increase	3% compounded	3% or ½ of the CPI whichever is LESS
TRS Contribution	9.4%	9.4%
Number of Active Members, 6/30/14	139,037 (87%)	20,801 (13%)



ERO Update

ERO Update(Tier One) PA 98-0042

- Age 55 and 20 yrs. of service
- All Member contribution -- 0.4% (refundable)
- Beginning July 1, 2013 – June 30, 2016
 - Participant payment: 14.4% per year
 - Employer payment: 29.3% per year
 - Employer Option to allow member participation
 - Eligibility criteria – CB agent



Health Insurance History

- **Prior to January 1, 1980** – Only local district plans for health insurance for their retired teachers.
- **January 1, 1980** – TRS authorized to develop statewide retired teachers health insurance program. 50% subsidy of premiums with “excess revenues” of TRS.
- **July 1, 1991** – Subsidy increased from 50% to 75%.
- **1993** – TRS management notifies TRS trustees and Governor of funding shortfall and change in federal law, prohibiting the spending of retirement investment income for any other
- **July 1, 1995** – TRIP program (statewide) authorized to begin July 1, 1996 with a 50% subsidy for most participants.



TRIP Update

- 8 years of service to be eligible
- Operated by Illinois Department of Central Management Services
- Managed care plans (75% subsidy), PPO/Major Medical/Teachers' Choice plan (50% subsidy) & Medicare Advantage plans (75% subsidy)
- All plans contain a Prescription Drug Program
- Enrollment:
 1. When you apply for monthly pension benefits
 2. When you turn 65
 3. When coverage is terminated by former plan
 4. During Benefit Choice Period if never enrolled



TRIP Statistics June 30, 2014

Teachers Retirement Insurance Program

Medicare Advantage (TRAIL)

Non Medicare Advantage

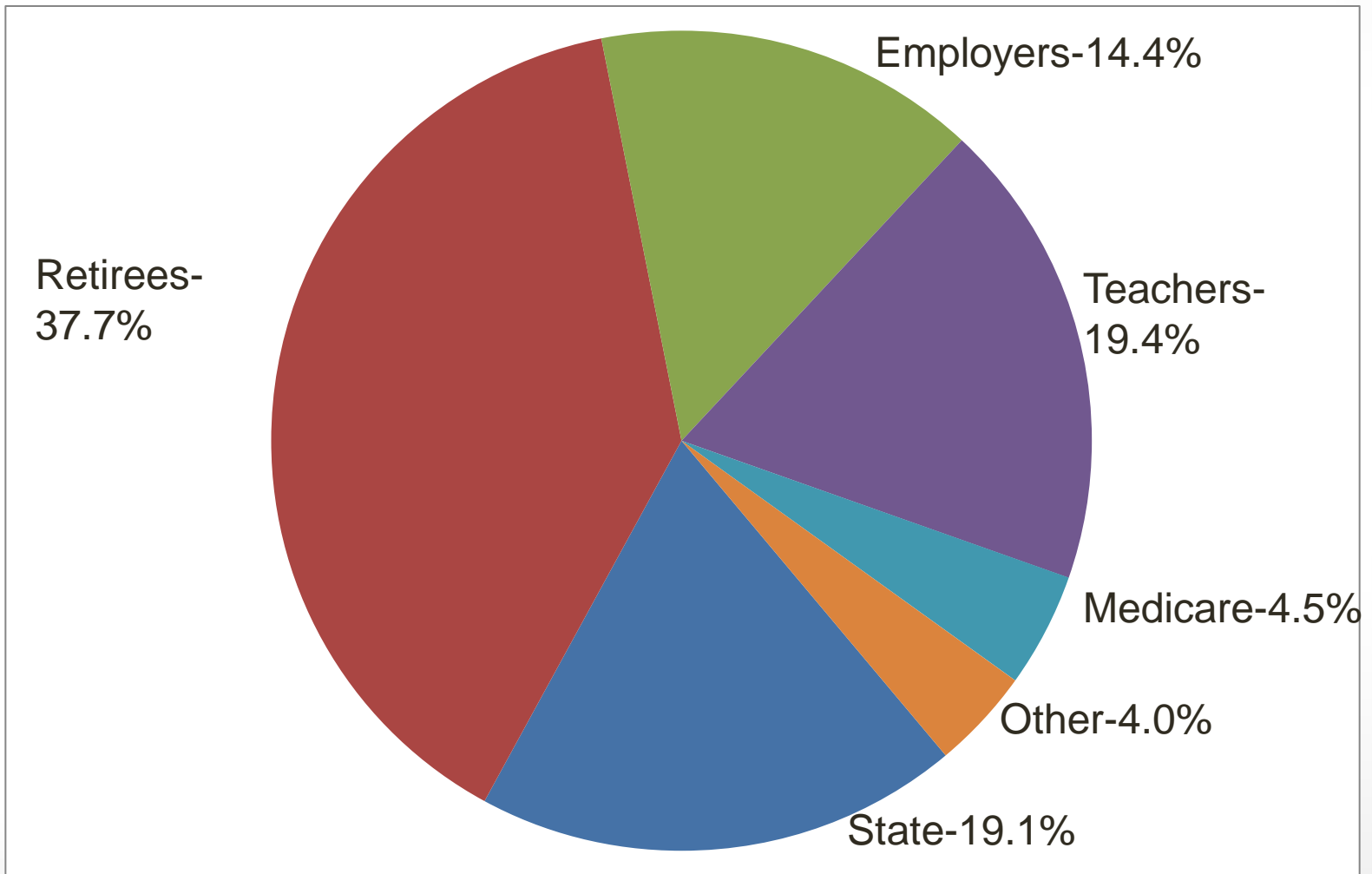
- Total number of participants – 74,801*
- (38,446 in FY 2000)
- Medicare Advantage Members – 52,381*
- Managed Care participants – 26.4%
- Major Medical participants – 73.6%

* CMS



TRIP Revenue FY 2014*

\$474.3 M



*CMS-Jan. 2015



HMO Non-Medicare Advantage -- FY 2015

1. **Blue Cross HMO – 800/868-9520**

www.bcbsil.com/stateofillinois

- Blue Advantage (CI)
- HMO Illinois (BY)

2. **Health Alliance * – 800/851-3379**

www.healthalliance.org/stateofillinois

- Health Alliance HMO (AH)
- Health Alliance Illinois (BS)

3. **Coventry HMO * (AS) – 800/431-1211**

www.chcillinois.com



OAP/PPO Non-Medicare Advantage -- FY 2015

4. Open Access Plans / HMO

- HealthLink * (CF): 800/624-2356

www.healthlink.com/illinois_index.asp,

- Coventry * (CH): 800/431-1211

www.chcillinois.com

- ## 5. PPO – Teachers' Choice (CIGNA) - Please note, the network includes several facilities that are not reflected on the CIGNA Web site. For information regarding the Client-Specific Network, call CIGNA.

www.cigna.com/stateofil

800/962-0051



Open Access Plans

Non Medicare Advantage

- Tier 1
 - HMO Benefits – with \$20 co-pays, etc.
- Tier 2
 - PPO Benefits – basic 80%-20% plan
- Tier 3
 - Out of Network – basic 60%-40% plan



Let's Compare Some Benefits	Non - Medicare Advantage	Medicare Advantage
PPO – Annual Medical Deductible	\$500	\$250
PPO – Annual Out of Pocket	\$1,200 in network \$4,400 out of network	\$1,000
PPO – Doctor's Visit	80% after deductible You pay 20%	80% after deductible You pay 20%
PPO – Cost* per month	\$502 – under 65 \$219 – over 65	Under \$50
HMO – Annual Medical Deductible	\$0	\$0
HMO – Annual Out of Pocket	\$3,000	\$3,000
HMO – Doctor's Visit	\$20 copay	\$20 copay
HMO – Cost* per month	\$213 – under 65 \$84 – over 65	Under \$50

* See cost chart for more information



Pension Lawsuit

What Happens Now??



- SB 1 CCR – Signed by the Governor, Dec. 5, 2013
- Now Public Act 98-0599
- Five appeals to the court
- All 5 pension lawsuits were consolidated in Sangamon County
- Circuit Court ruled & granted a permanent injunction, 11/21/14
- Illinois Supreme Court decides what is constitutional



Circuit Court Ruling



SB 1 is unconstitutional

- *Constitutional language is “plain and unambiguous”*
- *SB 1 Diminishes Benefits*
 - ✓ *For current retirees (based on years of service)*
 - ✓ *For active members (various freezes)*
 - ✓ *Limitation of Pensionable Salary (\$110,631)*
 - ✓ *Increasing Retirement Age (for some actives to 65)*
 - ✓ *Reducing the actuarial calculation*
- *No legally recognizable affirmative defense*
- *State’s Police Powers argument not based on previous court rulings*
- *Temporary Injunction (May 2014) is now Permanent*



Constitutional Protection

- Two provisions in Illinois Constitution
 - Contracts Clause
 - Pension Right 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.**”*



Supreme Court Schedule



- Supreme Court agreed to hear the lower court ruling on an “expedited” basis
- January 12, 2015 -- State’s brief and supporting record presented
- February, 16, 2015 -- Appellees’ brief presented
- March 11, 2015 -- Oral arguments heard
- Being Appealed by the State, TRS still defendant in the case



What Happens Now?





Current Lawsuits

1. Heaton v. Quinn, the constitutional challenge to the new pension law, is **2014-MR-000001**.

To track the Heaton lawsuit, visit the Supreme Court website:
<http://www.state.il.us/court/SupremeCourt/SpecialMatters/2014/default.asp>

2. Kanerva v. Weems, the lawsuit involving state retiree health insurance premiums, is **2012-MR-000582**.

To track the Kanerva lawsuit, visit the Sangamon County Circuit Court Clerk at this website: www.sangamoncountycircuitclerk.org



Actives/Retiree Members

SB 1, CCR -- PA 98-0599

- Effective Date – Court granted Stay
- Tier 1 Members Impacted, not Tier 2
- Post-Retirement Increase (PRI) --
 - 3% of the lesser of current annuity or \$1,000 multiplied by years of service
 - \$1,000 component would be increased each year by the annual percentage increase in the Consumer Price Index (CPI)
 - Current annuitants who retired between age 55-60, will receive all accumulated PRI increases, but PRIs after the effective date will be calculated under the new law -- Bifurcated



Actives/Retiree Members

SB 1, CCR -- PA 98-0599

EXAMPLE

- Current pension = \$50,000
- Years of TRS Service = 30
- New Formula – 2015* (Now Stayed)
 - 30 times \$1,000* = 30,000
 - New PRI = 3% of first 30,000 or \$900 annual increase
 - \$30,000 to \$50,000 – PRI = \$0 increase



Actives Tier 1 Members

SB 1, CCR -- PA 98-0599

- Staggered PRI Forfeiture for Actives who retire after July 1, 2014.
- All freezes starts with the second scheduled PRI:
 - 50 years and older – 1 freeze
 - 47 – 49 – 3 freezes, every other year
 - 44 – 46 – 4 freezes, every other year
 - 43 & younger – 5 freezes, every other year



Active Tier 1 Members

SB 1, CCR -- PA 98-0599

- Earnings Limitation for Active members for periods “on/after the effective date” – \$110,631 (index=1/2 cost of CPI-U) or at current salary, contract exemption
- Increased Retirement Age (as of June 1, 2014)
 - 46 years and older – No change, age 55 with at least 20 years & reduced benefit or ERO, or at age 60 for full benefits
 - Thereafter for each year less than age 46, the retirement age is increased 4 months



Active Tier 1 Members

SB 1, CCR -- PA 98-0599

- Member Contribution – 1 percentage point decrease (9.4% to 8.4%)
- Actuarial Benefit Calculation – 30-yr US Treasury bond plus 75 basis points
- Optional Defined Contribution Plan (limited to 5% of Tier 1 membership) – 8.4% member contribution: up to “normal cost” state contribution



Other Major Issues

SB 1, CCR -- PA 98-0599

- Funding
 - Improved Payment Plan – 100% / 30 years
 - After POB paid, additional State Contributions
 - Funding Guarantee language – circuit court
- CB Limitations
- No new Non-governmental participation
- New TRS member – no sick day service credit



Member Account Access

How to Set up Your Member Account Access

<http://trs.illinois.gov/members/videos/acctAccess.htm>

- Go to TRS Home screen, *Member Account Access box* (upper left hand corner)
- *From the Member Account Access box, Click on Create an Account* from pull-down menu, then Click on New User
- Add the following:
Social Security Number, Birth Date & Member ID from recent letter or email
- Hit Submit and follow the instructions. You'll create a personal User ID for this account.

Actives: Benefit Estimate, Contact Information, Beneficiary Information form, Service Record, TRS Benefit Report, Member ID card, etc.

Retirees: Contact Information, Earnings Statement (“pay-stub”), Deductions, a TRS income verification letter, Member ID card, etc.



Contact TRS Information

- Email -- members@trs.illinois.gov
- Email updates list -- members@trs.illinois.gov
- Member Services: **(800) 877-7896** 
 - 7:30 a.m. to 4:30 p.m. – Mon., Wed., Fri.
 - 7:30 a.m. to 5:00 p.m. – Tues. and Thurs.
- Web page
 - Online videos/Hot Topics audio
 - Newsletters and Bulletins
 - Booklets, Brochures and Forms
- Also on Twitter and Facebook



Contact Information

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