



# TOPICS & REPORT

Teachers' Retirement System of the State of Illinois  
Winter 2010 - 2011

## Investment Returns Increase During Fiscal Year 2010

Investments made on behalf of Illinois educators by the Teachers' Retirement System posted a **13.5 percent rate of return\*** (12.9 percent, net of fees) during fiscal year 2010. The earnings boosted the retirement system's total assets to \$31.3 billion, an increase of \$2.8 billion over the previous year-end total.

The TRS Board of Trustees reported in October that assets held for TRS's 372,000 members totaled \$31,302,702,799 at the end of the state's fiscal year on June 30, 2010. Assets at the end of fiscal year 2009 totaled \$28,497,729,443.

"The earnings on our investments during fiscal 2010 are good news for our members, especially after the losses incurred in 2008 and 2009 because of the world-wide financial crisis," said **Stan Rupnik**, acting executive director and chief investment officer for TRS.

\* rate before fees to external money managers were paid

The fiscal year 2010 investment returns represent a 39.3 percentage point swing in a positive direction from the end of fiscal year 2009. Almost all large institutional investors around the world saw assets decline during 2008 and 2009.

The fiscal year 2010 rates of return and market value of each asset class in the TRS portfolio were:

Class	Rate of return	Market value in billions
Domestic equity	17.40%	\$8.93
International equity	11.68	6.05
Fixed income	17.05	5.53
Real return	14.09	3.10
Real estate	(4.83)	3.25
Absolute return	11.00	1.23
Private equity	19.01	2.99

### The fiscal year 2010

Annual Financial Report Summary  
is a special insert inside.

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## TRS Refutes Bankruptcy Myth

The Teachers' Retirement System Board of Trustees and staff are working diligently to dispel a wide-spread rumor in the media that TRS will go bankrupt in 2018 because of mounting unfunded liabilities. The plain truth is TRS will be operating and paying pensions and benefits well beyond 2018. TRS has always carried an unfunded liability.

The 2018 "doomsday" prediction is the product of an academic exercise by Northwestern University economics professor Joshua Rauh, who supports placing all teachers and public employees into 401(k)-style pension plans.

However, in producing his paper, Mr. Rauh ignored reality and used selective facts and figures to reach a desired conclusion. TRS had its actuaries, Buck Consultants of Chicago, fact-check the validity of Mr. Rauh's claim. They found that the facts do not support his prediction.

Buck found that the doomsday prediction will only come true under implausible circumstances. For example, between 2009 and 2018, all of the following would have to occur: TRS does not earn another dime in investment income and does not receive any contributions from active teachers, school districts and state government. Such a scenario is simply

"Doomsday" prediction continued on page 2



## “Doomsday” prediction

*Continued from page 1*

next to impossible. In fiscal year 2010, TRS contributions and investment income totaled \$6.45 billion.

Illinois state law requires contributions from teachers and school districts to TRS, so the only way those contributions could cease is if schools in Illinois stop operating.

Further, Rauh’s study greatly underestimates the investment income TRS will generate in the future. The doomsday calculations are based on an unrealistic investment return of about 2 percent per year.

In fiscal year 2010, the actual rate of return on TRS investments was 13.5 percent, gross of fees, which was the rate before external money managers were paid. Over the last 25 years it is 8.6 percent, net of fees. At the end of the last fiscal year, the TRS investment portfolio held \$31.3 billion.

It is true that the current TRS unfunded liability is about \$40 billion. While this liability is a long-term concern over the next 50 to 75 years, the figure can be misleading when current pensions are discussed. The unfunded liability is made up the payments that will be made to *both* retired teachers *and* active teachers in future years, subtracted from TRS’s total assets.

Since active teachers by law cannot receive retirement benefits, the total unfunded liability never comes due. During this year, TRS expects to pay out \$4.1 billion in pensions and benefits, which is a fraction of the retirement system’s total assets.

In short, as long as TRS receives investment income and contributions from various sources, TRS will be able to pay out pensions and benefits up to 2018 and beyond.

## TRS Benefits Report Sent to Active and Inactive Members

The TRS Benefits Report was mailed in early December using our new logo that highlights members and our mission (see article on top of page 5 of the *Topics & Report* newsletter for more details).

The report summarizes the following information about your TRS account: refundable contributions, beneficiary refund, beneficiaries, estimated benefits, sick leave service, 2.2 upgrade information, reciprocal service, refunded service that may be reinstated, optional service, and active service.

Our Web site also has your 2010 report available in the secure Member Account Access area. Recent payments and changes in outstanding balances that have occurred since the 2010 report was mailed will be shown online. As a new online feature, you may view your past statements as PDFs from 2004 to 2010.

If you need to change your beneficiaries, visit the member forms area of our Web site and complete a Member Information and Beneficiary Designation (MIBD) form, which is fillable online. Please print out and mail the

form to us; we will update your file. A new MIBD form replaces any former version on file with TRS.

If you see an error within your reported service record or salaries, please contact your employer (school district) without delay to correct the problem. This information is reported by your employer on your behalf to us. It may be more difficult to correct any error if you wait until retirement.

Please call us at (800) 877-7896 if you believe your report has an error (other than salary or service credit), if you need an additional copy, or if you have any questions about the content.

Annuitants do not receive TRS Benefits Reports.





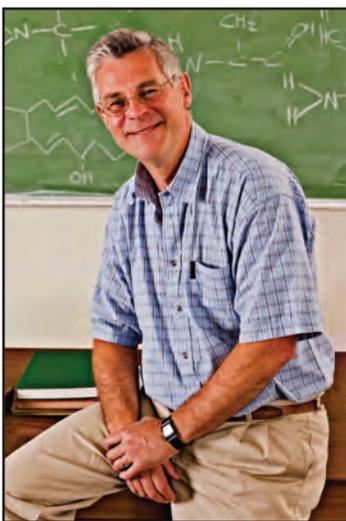
## Why Can't I Access My Online Account?

If you have established online Member Account Access, you know it's a convenient and secure way to view your service, salaries and benefits, make payments, and update your contact information on file. Unfortunately, sometimes the sign-in process goes awry. To avoid the most common sign-in errors, use these three tips:



- **Have your member ID ready to enter.** This number is on your TRS Benefits Report that was mailed in December to active members. Enter that number carefully. It is easy to transpose numbers if you have been grading papers all evening.
- **Read the challenge questions carefully.** If you answer a question incorrectly, you may or may not get the same question in the next try. You may be entering what you think is a correct answer, but the question has changed. It can be difficult to recognize the difference because the format does not vary.
- **The challenge question's answer must be typed exactly as you originally entered it.** Any incorrect spelling is not going to work. If you think you have correctly entered the answer and cannot gain access, please call TRS. We can unlock your account and see your original answer. Once you get back into your TRS account, you can make any corrections.

## Post-retirement Limitations May Revert to 100 days/500 hours in July



Retired teachers receiving a TRS pension and currently working part time for a school district under a TRS-covered position will want to stay abreast of legislative action this spring concerning their part-time jobs. The Illinois General Assembly raised the maximum limits on part-time work by 20 days and 100 hours several years ago but mandated that the increased maximums expire on July 1, 2011.

Unless the legislature passes and the governor signs legislation to retain the higher limits before July, retired teachers working part time during the 2011-2012 school year will be limited to 100 days or 500 hours per year.

Only work that requires teacher certification (including summer school and substitute teaching) is subject to post-retirement employment limitations. TRS benefits are canceled if the limits are exceeded.

## Tier II Pension Structure Began Jan. 1, 2011

The "Tier II" benefit structure for new Illinois teachers became effective on Jan. 1, 2011, but the changes enacted last spring by the Illinois General Assembly will not affect any educator who first contributed to TRS on or prior to Dec. 31, 2010. These teachers will remain in the "Tier I" benefit structure.

Tier II members are educators in TRS-covered positions who first contributed to TRS on or after Jan. 1. An exception is any new teachers who first contributed after Jan. 1 with accumulated creditable service prior to 2011 in another state pension system holding reciprocal rights with TRS. These teachers will be in Tier I.

The legislature created the Tier II benefit structure in April 2010 as one way of slowing the annual increase in the cost of public pensions over the next several decades. The law affects all five state pension systems, several Chicago Cook County area pension systems, and the Illinois Municipal Retirement Fund.

Among the changes affecting Tier II members are new salary limits that cut potential benefits by about 30 percent compared to Tier I and an increase in the retirement age with no reduction in benefits from 60 to 67.



# Important Annuitant Tax and Payment Reminders for 2011

## Expect arrival of 1099-R

If you received a TRS benefit in 2010, the Office of the Comptroller will mail an IRS Form 1099-R to you by Jan. 31, 2011. This form will report your income received from TRS during 2010.

**The amount shown in Box 5 on the 1099-R form represents the non-taxable portion of TRS retirement benefits paid to you for the year and is the difference between Boxes 1 and 2a.**

**Box 9B** will only have a value if 2010 was the first year that you received a benefit from TRS.

If you do not receive a 1099-R form or you need a duplicate copy sent to you, please call us at (800) 877-7896 or e-mail us at [members@trs.illinois.gov](mailto:members@trs.illinois.gov).

## Increase reflected on Feb. 1 check

The checks you receive in January and February may be for different amounts if the January 2011 benefit payment received in February reflects your annual 3 percent post-retirement increase. The increase is first effective on Jan. 1 following either your first retirement anniversary or your 61st birthday, whichever is later. Following the first increase, your benefit

increases 3 percent each Jan. 1. With some exceptions, recipients of monthly survivor benefits will also see a 3 percent increase.

## Withholding tables usually change

Revised federal withholding tables may go into effect on Jan. 1, 2011. As a result, the federal taxes withheld from your Jan. 1, 2011 annuity payment may increase or decrease based on your filing status.

TRS cannot give tax advice due to federal and state restrictions. You may wish to contact a qualified tax advisor or the Internal Revenue Service at (800) 829-1040 to ensure that you have adequate federal withholding for the 2011 tax year. If you are under-withholding, there could be a negative consequence at tax time.

If you would like to change your withholding election, you must complete a new Form W4-P. You can obtain a new form by calling us at (800) 877-7896 and pressing "2" for our 24-hour Forms Order Line, by visiting our forms page at <http://trs.illinois.gov>, or by calling your local Internal Revenue Service office. A new Form W4-P replaces any former version on file with TRS.

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution	OMB No. 1545-0119		<b>2010</b>	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
		\$	Form <b>1099-R</b>			
PAYER'S federal identification number		2a Taxable amount	Total distribution			
		\$	<input type="checkbox"/>			
RECIPIENT'S identification number		2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>			
PAYER'S federal identification number		3 Capital gain (included in box 2a)	4 Federal income tax withheld			
RECIPIENT'S name		\$	\$			
Street address (including apt. no.)		5 Employee contributions / Designated Roth contributions or insurance premiums	6 Net unrealized appreciation in employer's securities		<b>Box 5</b>	
		\$	\$			
City, state, and ZIP code		7 Distribution code(s)	IRA/SEP/SIMPLE <input type="checkbox"/>	8 Other	This information is being furnished to the Internal Revenue Service.	
				\$		
1st year of desig. Roth contrib.		9a Your percentage of total distribution %	9b Total employee contributions		<b>Box 9b</b>	
		%	\$			
Account number (see instructions)		10 State tax withheld	11 State/Payer's state no.		12 State distribution	
		\$			\$	
		\$			\$	
		13 Local tax withheld	14 Name of locality		15 Local distribution	
		\$			\$	
		\$			\$	

Form 1099-R

(keep for your records)

Department of the Treasury - Internal Revenue Service



## Look for New TRS Logo (see above graphic) in Publications

This fall, an updated logo was adopted for the retirement system. This logo effectively depicts our mission better than the "TRS" formerly used for our image.

Our goal with this logo is to send several messages at once.

The apple is a universal symbol of education. We want to honor teachers and their contributions to our

state and local communities. The small hand on the left, the student, represents all of society and can be thought of as thanking the teacher with the apple. The larger hand on the right represents our members.

Both hands, together with the apple, also represent the everlasting connections between generations – bound together through the gift of education.

Second, the gift of an apple is, in its most literal sense, meant to sustain the teacher through the day. Similarly, the goal of TRS is to sustain teachers in their retirement. They have earned what they receive.

Third, the use of hands speaks to our reoccurring message that we are all about people. We have surrounded the image with our statement of purpose, which was adopted in 2001.

## Board Election Scheduled May 2, 2011

The Board of Trustees election for two teacher trustees and one annuitant trustee is scheduled for May 2, 2011. To be nominated, prospective candidates must receive a minimum of 500 signatures from eligible voters. Petition instructions, petitions, and the board election rules are available on the TRS Web site under the Board of Trustees section, <http://trs.illinois.gov>. Before circulating petitions, please carefully read the instructions. Certified petitions must be returned to TRS no sooner than Jan. 2 and no later than 4:30 p.m. on Jan. 31, 2011. If you have any questions, please contact Administrative Services Manager Alice Kern at [akern@trs.illinois.gov](mailto:akern@trs.illinois.gov).



## Board Meetings

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 Web site, <http://trs.illinois.gov>.

- Jan. 28 – Stakeholder Forum
- Feb. 23-25
- April 6-8 (location TBD)
- May 18-20
- June 23-24

## New Civil Union Law Will Apply to TRS Benefits

The new state law creating civil unions in Illinois will apply to all TRS pensions and benefits in the same way that current laws, rules and policies apply to members' spouses.

The law received final approval from the General Assembly in early December and Gov. Pat Quinn said he will sign the law. The effective date of the act is June 1, 2011.

In the meantime, TRS will begin the process of ensuring that all state laws, administrative rules, policies, forms and written materials used by TRS are updated to reflect the spirit and intent of the new statute. TRS is planning to be ready to accommodate any changes that members want to make to their benefit plans when the new law takes effect.

As written, the statute creates civil unions not only for couples of the same sex, but for couples of the opposite sex, and both instances will greatly expand the reach of TRS pensions and benefits for TRS members.



## Superintendent Returned Home to Transform District

The third time, they say, is a charm. When Dr. B.J. Howrey retired in July, it amounted to the third time she had “graduated” from Pembroke Community Consolidated School District 259 in Kankakee County. And it is safe to say that the children, parents and staff of the small, single-school district were all very glad that she decided to return home one more time.

During the last eight years as superintendent of District 259, Howrey led a transformation of Lorenzo R. Smith Elementary School from consistent underperformance to sustained excellence.



B.J. Howrey

“It was a hard decision to retire,” said Howrey, who has relocated to Atlanta, Georgia. “My family said it was time. I’ve been recruited for one position after another for a long time.”

As a child, Howrey, 62, attended grammar school in Pembroke District 259 after her parents moved her family from Chicago to rural Kankakee County. Following her graduation from Southeast Missouri State University with a bachelor’s degree in education, she returned to Pembroke to teach math, science and language arts in the district.

“My grandma always said that I would either be a preacher or a teacher,” Howrey said with a laugh. “I went into teaching. It was my calling.”

Her career path eventually took her out of Pembroke Township and beyond the classroom to a Ph.D. from the University of Illinois at Champaign-Urbana and high-level administrative positions with the Illinois State Board of Education (ISBE) and large school districts in Georgia and Alabama. But after 30 years in education leadership, she received a call from District 259. The district was in need of a superintendent to help turn around her old school.

She decided to make Smith School the next step in her career.

“You can go home again, but it’s not that easy,” Howrey said. “Change is driven from within, especially when students are not living up to their potentials. The soul is where you start. If you can change that spirit and change that soul, they will respond and do it.”

The first goal Howrey and the District 259 Board of Education set was to get Smith School off of the ISBE’s academic watch list, a task that took years of energy, commitment and innovation on the part of students, parents, teachers and the community.

“I think it was teamwork among everyone involved and a combination of providing teachers the tools they need to get the job done and making sure students do not have out-dated materials and methods. You have to look at all parties for this success,” she said. “The necessary resources were put in place and the school board, parents and the State Board of Education were always behind us. It truly takes a village to raise a child.”

After six years of hard work, District 259 was taken off of the state watch list in 2008. When Howrey returned to Pembroke Township in 2002, only 6.8 percent of 8th grade students were meeting state learning standards in math. By 2009, the percentage of students meeting or exceeding state math standards reached 62 percent.

**“If you do the same things you’ve always done, you get what you’ve always gotten.”**

**- B.J. Howrey**

In the spring of 2010, ISBE designated Smith School as one of Illinois’ 975 “Honor Roll” schools for maintaining excellence in the classroom. In addition, the school was named a “Spotlight School” by the state board for achieving excellence in spite of a

chronically-high poverty rate in the surrounding community. The district also was honored for a program

**Howrey**

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## Howrey

*Continued from page 6*

that fosters increased parental involvement in the education of their children.

Along the way, District 259 has acquired a reputation for innovation. Howrey brought new learning tools and methods to the classrooms, as well as programs designed to motivate students and parents toward the ultimate goal – good grades and a real opportunity to better their lives through education.

“If you do the same things you’ve always done, you get what you’ve always gotten,” Howrey said of the change she brought to the school. “The board did not shy away from approving things that were innovative. We used data very heavily to determine which direction we should go and what methods were proving to be successful. Everyone bought into it, especially after the results showed improvement.”

Howrey’s eight-year record of accomplishment in many ways stretched beyond the classroom to enrich the entire community:

- Sponsoring a summer employment program for students

- Establishing a school garden tended by an Agriculture Science Program
- Renovating the school auditorium, buying new band instruments and creating the Pembroke School Community Theatre
- Forming a clothing and uniform pantry for underprivileged students

While proud of the recognition, to Howrey, the real awards District 259 receives are found in the success of the many underprivileged students whose lives were changed by their time at Smith School.

“I had a student who had, let’s say, a very difficult time when he was here. But several years after he left we received a letter from him that said, ‘I am successful now because of what I experienced in Pembroke Township schools. No matter how I behaved, everybody always told me I could succeed,’” Howrey said. “When you see students who come out of nowhere and land on their feet... there are people from that school district who are lawyers, teachers, or in research. It’s just amazing.”

## TRS Receives GFOA Award for 2009 Report

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Teachers’ Retirement System of the State of Illinois (TRS) for its Popular Annual Financial Report for the fiscal year ended June 30, 2009. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular financial reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. TRS has received a Popular Award for the last 10 consecutive years. We believe the June 30, 2010 report, which is enclosed with this newsletter, also conforms to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.





## Teachers' Retirement System of the State of Illinois

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Forms Order Line: (800) 877-7896,  
press "2" when prompted

### Web site

<http://trs.illinois.gov>

### Address changes

To ensure that all information about your benefits reaches you, please notify us each time your mailing address changes. You may call us or send us the following information in writing:

- your name and Social Security number
- new street address, city, state, and ZIP
- former street address, city, state, and ZIP
- daytime telephone number.

### Topics & Report

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