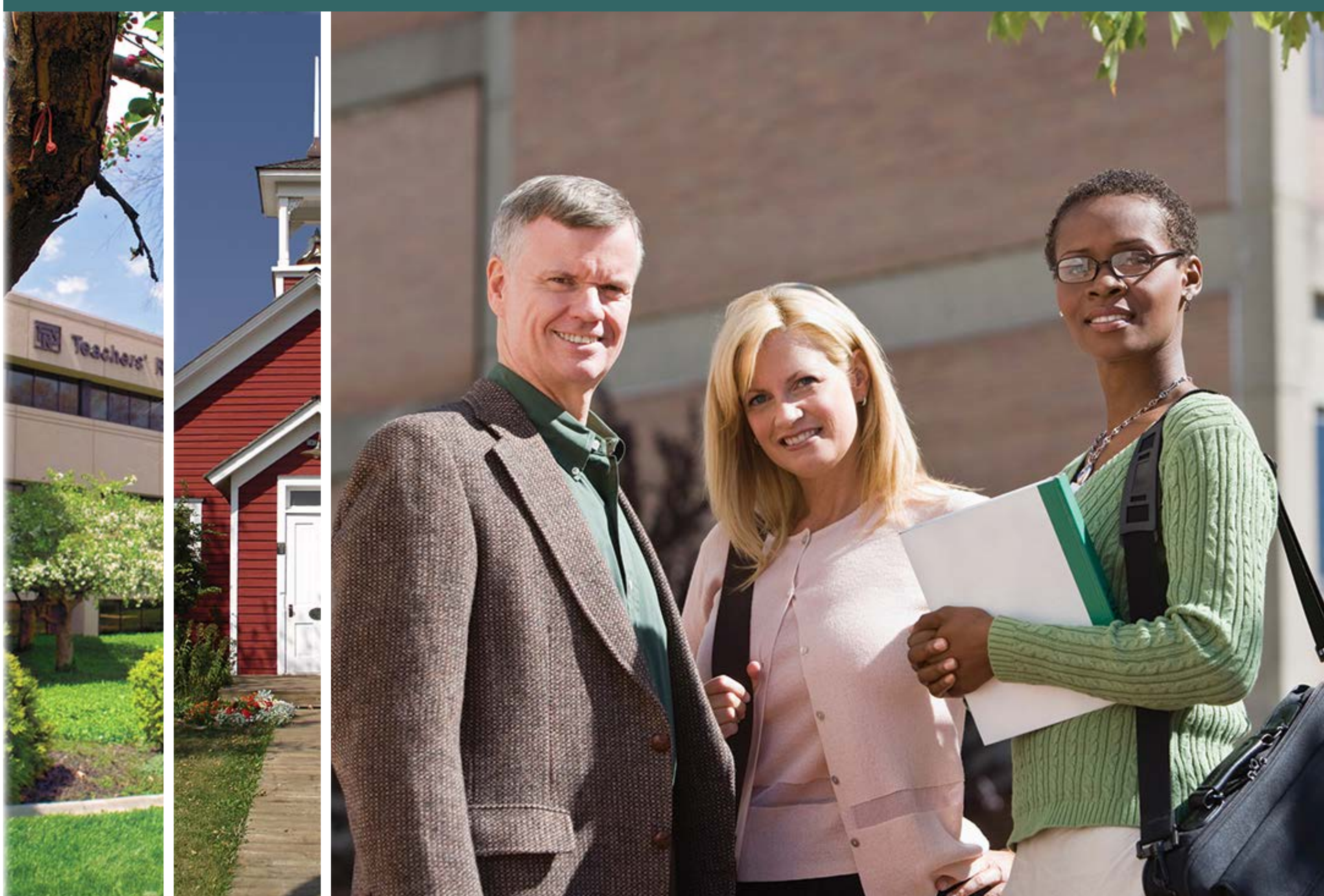
Retirement Security for Illinois Educators

Actuarial



December 10, 2013

Board of Trustees
Teachers' Retirement System
of the State of Illinois
2815 West Washington Street
Springfield, Illinois 62794

Subject: Pension Benefit Obligation as of June 30, 2013

Ladies & Gentlemen:

Based upon our annual actuarial valuation of the Teachers' Retirement System of the State of Illinois, we have determined the pension benefit obligation of the System to be $93,886,988,000 as of June 30, 2013. The valuation was performed using the projected unit-credit actuarial cost method. Throughout the actuarial valuation report we reference the term Pension Benefit Obligation (PBO) when discussing the TRS actuarial accrued liability (AAL) because the TRS AAL is equivalent to the GASB Statement 5 PBO. Users of the TRS actuarial valuation report should consider the terms PBO and AAL to be equivalent and interchangeable.

The contributions to the System are based on the provisions of Public Act 94-0004, as amended by subsequent acts. The actuary and the Board are required to follow Public Act 94-0004 for purposes of developing contributions to the System. Public Act 94-0004 has resulted in contributions to the System much less than those that would be contributed under minimum generally accepted actuarial standards. Under such minimum standards, a funded ratio of 100% would be achieved within 30 years as opposed to the 90% funded ratio achieved by 2045 under Public Act 94-0004. In addition, under minimum actuarial standards, contributions would not be based on members not currently in the System as is done under Public Act 94-0004, particularly given the lower value of Tier II benefits in the System for members hired on or after January 1, 2011. The continued use of Public Act 94-0004 in its current form will continue the history of an inadequate funded ratio of less than 100%. In addition, the Net Pension Obligation, shown separately in the actuarial valuation report, clearly exhibits the shortfall of the Public Act 94-0004 contributions when compared to the GASB 25/27 ARC, which is generally recognized as a reasonable contribution under generally accepted actuarial standards. The actuarial section of the System's Annual Financial Report shows Buck's calculations of the required contributions based on minimum standards and under a slightly more stringent standard, the employer's normal cost plus interest, consistent with a TRS Board resolution requiring certification of funding requirements based on sound actuarial principles. For ease of comparison, we have used the same actuarial cost method (projected unit credit) and asset smoothing method required under Public Act 94-0004 as amended by subsequent acts. While we prefer the use of the entry age normal cost method for public plans, the method in place is acceptable under generally accepted actuarial standards.

The actuarial valuation was based on a census of active, inactive and retired members as of June 30, 2012, which was submitted to us by the System. While we did not verify the data at their source, we did perform tests for internal consistency and reasonability in relation to the data submitted for the previous valuation. As part of the valuation procedure, liabilities were adjusted by projecting results based on the valuation assumptions.

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Presented in the Financial Section of the System's Annual Financial Report, there is a schedule of Required Supplementary Information. The actuary has provided the Unfunded Actuarial Accrued Liability, the Annual Required Contribution per State Statute, and the GASB Statement No. 25 Annual Required Contribution that appears in this section. The actuary reviewed the remainder of the figures that appear in the Required Supplementary Information to ensure their consistency with the valuation report.

The Actuarial Section of the Annual Financial Report also contains various schedules: Actuarial Valuation with Actuarial Value of Assets, Reconciliation of Unfunded Liability, State Funding Amounts, Funded Ratio Test, Unfunded Liability as a Percentage of Payroll Test and Solvency Test. While the actuary did not prepare these schedules, they are in agreement with the valuation report and their accuracy has been verified. The actuary neither reviewed nor prepared any items beyond those specifically listed in this paragraph and the preceding paragraph.

At June 30, 2013 the remaining GASB amortization period is 30 years. The actuarial assumptions, actuarial cost method, and asset valuation method used for funding purposes do meet the parameters of GASB Statement No. 25.

The valuation is based on the benefit provisions of TRS in effect on June 30, 2013. As required under PA 96-0043, the method for determining the actuarial value of assets used to determine the employer contribution rate was changed beginning with the June 30, 2009 valuation from market value to a smoothed value. The smoothed value recognizes actuarial investment gains or losses for each fiscal year in equal amounts over the ensuing five-year period. The System incurred a gain of $1,689,215,365 in FY 2013. Per statutory requirement, 20% is recognized in the actuarial value of assets as of June 30, 2013, and recognition of the remaining 80%, or $1,351,372,292, will be deferred and recognized in equal amounts over the next four valuations. Depending on whether the total net deferral is an investment gain or loss, the smoothing method will produce a contribution rate that is more or less than the rate based on the market value. As of the June 30, 2013 valuation the total net deferral is a $1,703,577,002 gain, resulting in a contribution that is higher than it would be if the assets were valued at market.

The valuation was prepared under the supervision of Larry Langer in accordance with generally accepted actuarial principles and practice. To the best of our knowledge, it is complete and accurate. Mr. Langer and Mr. Wilkinson are members of the American Academy of Actuaries and meet the Academy's Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Paul R. Wilkinson

Larry Langer
Principal, Consulting Actuary

Paul R. Wilkinson
Director, Consulting Actuary

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Actuaries estimate the cost of benefits members and survivors will receive over their lifetimes and calculate the amount that should be set aside each year to fund them.

TRS complies with the requirements issued by the Governmental Accounting Standards Board (GASB) under Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended by GASB Statement No. 50.

ACTUARIAL ASSUMPTIONS AND METHODS

Each year the actuary reconciles the differences between major actuarial assumptions and experience to explain the change in TRS's unfunded liability. The unfunded liability is the difference between the accrued liability (the present value of benefits including the cost of annual increases) and the assets that are available to cover the liability. Many of the following assumptions were revised in the 2012 actuarial experience analysis. All assumptions were adopted in the FY12 valuation unless otherwise noted.

Investment return: 8.0 percent per annum, compounded annually. Components: inflation 3.25 percent and real return 4.75 percent.

Salary Increases: Total averages 6.0 percent per year and includes:

- inflation: 3.25 percent,
- real wage growth (productivity): 0.75 percent, and
- merit or seniority (including employment status changes of 0.25 percent): average of 2.00 percent; ranges from 6.15 percent at age 20 to 1.00 percent at age 50 and above.

Assumed increase on payroll and account balances to account for one-year data lag for reporting to actuary: 4.0 percent.

Sample annual percentage salary increases (including all components of increase):

Age	Male and Female
20	10.15%
30	7.45
40	6.25
50 and above	5.00

Inflation: 3.25 percent per annum. Implicit in investment and earnings progression assumptions.

Retirement age: Graduated rates based on age and service of active members.

Sample annual retirement rates per 100 participants:

a) For those entering service before January 1, 2011 (includes ERO retirees):

	Years of Service				
Age	5-18	19-30	31	32-33	34+
54	-	6	12	38	40
55	-	10	20	38	40
60	14	27	45	45	31
65	23	33	45	45	31
70	100	100	100	100	100

(continued)

(Retirement age continued)

b) Tier II, for those entering service on or after January 1, 2011:

Age	Years of Service				
	9-18	19-30	31	32-33	34+
62	13	15	20	25	25
65	8	10	15	20	20
67	20	40	70	70	70
70	100	100	100	100	100

Utilization of ERO among Tier I members retiring from active service:

Years of Service on June 30 prior to Retirement	Age					
	54	55	56	57	58	59
19 – 30	68%	75%	66%	63%	64%	23%
31	90	79	75	71	69	27
32	49	53	45	48	46	28
33	22	25	17	15	14	13

Mortality: For active members, the RP-2000 White Collar Table projected nine years using scale AA, with a two-year age setback for men and three-year age setback for women. Rates for women are further adjusted, multiplying all rates by 70 percent. The sample rates reflect values as of July 1, 2012:

Age	Male	Female
25	0.029	0.011
30	0.035	0.013
40	0.061	0.031
50	0.122	0.069
55	0.183	0.116
60	0.303	0.219
65	0.531	0.395

For retirees and inactive members, the RP-2000 White Collar Table projected nine years using scale AA, with a two-year age setback for men and no age setback for women. Rates for women are further adjusted for ages 63-77 by 65 percent and ages 78-87 by 85 percent.

For beneficiaries, the RP-2000 blended table, projected nine years using scale AA, with a one-year age setback for both men and women.

For the period after disability retirement, the RP-2000 Disabled Table, projected nine years using scale AA, with a one-year age setback for both men and women.

Disability: Sample annual disability rates:

Age	Male	Female
25	0.029	0.045
30	0.026	0.117
40	0.051	0.162
50	0.094	0.172
55	0.111	0.197
60	0.170	0.144
65	0.510	0.287

Termination from active service:

Sample annual termination rates per 100 participants:

Age	Nonvested Members		Vested Members	
	Male	Female	Male	Female
25	7.0	7.8	6.0	9.0
30	8.6	10.6	3.7	6.0
40	11.1	10.0	1.5	2.2
50	12.0	10.0	1.4	1.4
55	16.0	15.0	4.0	3.1
60	21.0	14.0	4.0	4.0
65	21.0	40.0	4.0	4.0

Severance pay: The percent of retirees from active service assumed to receive severance pay and the amount of such severance payments are assumed to be as follows. Not applicable to Tier II.

Percent Retiring with Severance Pay	Severance Pay as a Percent of Other Pensionable Earnings in Last Year of Service
20%	6%

Optional service at retirement: The accrued liability for retirement benefits for active members who have not previously purchased optional service is increased to cover the employer cost of optional service purchased in the last two years of service. Sample purchases at retirement follow.

Years of Regular Service at Retirement	Maximum Service Purchased
10	0.473 years
20	0.835 years
25	1.360 years
30	1.040 years
34 or more	None

Unused and uncompensated sick leave: Varies by the amount of regular service at retirement.

Sample amounts of sick leave at retirement:

Years of Service at Retirement	Sick Leave Service Credit
20	1.035 years
25	1.847 years
30	1.454 years
34	1.000 years
35 or more	none

Actuarial cost method: Projected unit credit. Gains and losses are reflected in the unfunded liability. Adopted in the FY89 valuation.

Asset valuation method: Five-year prospective asset smoothing was adopted in the FY09 valuation as required by Public Act 96-0043.

ANNUAL ACTUARIAL VALUATION

The annual actuarial valuation measures the total liability for all benefits earned to date. The accrued liability is a present value estimate of all the benefits that have been earned to date but not yet paid. The unfunded liability is the present value of future benefits payable that are not covered by the actuarial value of assets on the valuation date.

The funded ratio shows the percentage of the accrued liability covered by actuarial value of assets. A table later in this section also shows funded status using the fair value of assets.

Actuarial Valuation ($ thousands)

	Years Ended June 30	
	2013	2012
Total actuarial accrued liability	**$93,886,988**	**$90,024,945**
Less actuarial value of assets*	38,155,191	37,945,397
Unfunded liability	**$55,731,797**	**$52,079,548**
Funded ratio*	40.6%	42.1%

** Five-year prospective smoothing began in FY09.*

ANALYSIS OF FINANCIAL EXPERIENCE: RECONCILIATION OF UNFUNDED LIABILITY

The net increase in the June 30, 2013, unfunded liability of $3.6 billion was caused by a combination of factors.

The employer cost in excess of contributions is the shortfall between actual employer contributions and the amount needed to cover the cost of benefits earned during the year and to keep the unfunded liability from growing. In 2013, this shortfall was $2.1 billion and in 2012 it was $2.7 billion. The 2012 valuation reflected changes in actuarial assumptions resulting from the five-year experience review and caused a net increase of $4.6 billion in the unfunded liability.

TRS experienced actuarial gains under the salary increase assumption in both FY13 and FY12. Salary increases for continuing active members were $413 million lower than expected in 2013 and $1.2 billion lower than expected in 2012. Under the investment return assumption, losses occurred both years. In FY13, smoothed assets were assumed to earn $3.0 billion, but earnings were actually $1.4 billion. The actuarial loss due to investments was $1.6 billion in FY13, compared to a loss of $1.8 billion in FY12.

In both years, actuarial losses occurred under the mortality assumptions because fewer people died than expected. Actuarial losses were also incurred under the turnover assumption because fewer people left service than assumed. Additionally, many members repaid refunds, and the repurchased service increased the unfunded liability. Delayed reporting of retirements also increased the unfunded liability because more people were receiving benefits than expected.

Other, which is a balancing item, reflects actuarial losses in both 2013 and 2012. Other includes retirements in 2013 that were reported late to the actuary and several other factors. Other is smaller than in previous years because of an improvement in the reconciliation procedure. This improvement allowed the differences between actual and expected experience for retirement rates and disabilities to be broken out in 2013.

Reconciliation of Unfunded Liability ($ thousands)

Item	Years Ended June 30 2013	2012
Unfunded liability at beginning of year	**$52,079,548**	**$43,529,992**
Additions		
Employer cost in excess of contributions	2,125,732	2,710,713
Change in actuarial assumptions and methods	-	4,624,966
Net additions	**2,125,732**	**7,335,679**
Actuarial losses (gains) compared to assumptions		
Salary increases for continuing active members	(412,776)	(1,211,157)
Asset gains on actuarial value of assets[1]	1,557,219	1,806,148
New entrant loss	12,678	14,505
Mortality other than expected	7,355	52,681
Retirements other than expected	65,579	-
Disabilities other than expected	(6,121)	-
Terminations other than expected	22,926	29,810
Repayments of refunded member contributions[2]	25,733	30,013
Delayed reporting of retirements (effect on assets)[3]	2,303	12,666
Other[4]	251,621	479,211
Net actuarial losses	**1,526,517**	**1,213,877**
Unfunded liability at end of year	**$55,731,797**	**$52,079,548**

1 *Assets are expected to earn 8.0 percent. This item is the difference between the expected and the actual return on an actuarial basis. For example, in fiscal year 2013, the expected actuarial returns of $2.987 billion was greater than the $1.430 billion actual return on assets, resulting in an actuarial loss which increased the unfunded pension benefit obligation by $1.557 billion.*

2 *This includes the employer-paid portion of the benefit that was restored when members repaid previously refunded contributions.*

3 *547 retirements which occurred prior to 7/1/11 were not reported to the actuary until 6/30/2012.*
191 retirements which occurred prior to 7/1/12 were not reported to the actuary until 6/30/2013.

4 *Other includes items such as:*
(a) Retroactive benefit payments for individuals who delayed applying for retirement;
(b) Differences between actual cost of benefits earned during the year and projected cost;
(c) Retirements with reciprocal service credits;
(d) Delayed reporting of retirements (effect on PBO); and
(e) For 6/30/2013, transition to eliminate data lag between active and retired members.

STATE FUNDING

Public Act 88-0593 was enacted in 1994 and first affected state contributions in FY96. The law established a 50-year funding plan that includes a 15-year phase-in period. By the end of the funding period in FY45, TRS will have a 90 percent funded ratio. A key feature of this act is the "continuing appropriation" language that requires state contributions to be made automatically to TRS, provided state funds are available.

Public Act 93-0002, the pension obligation bond (POB) legislation, was enacted in 2003 and first affected state contributions in FY05. The law requires a multi-step process that ensures that state contributions do not exceed certain maximums.

State Funding Amounts

The FY13 actuarial valuation was used to determine the required FY15 state contributions and the FY15 employer's normal cost. The FY12 actuarial valuation was used to determine the required FY14 state contributions and the FY14 employer's normal cost.

The FY15 amount is the proposed certification submitted to the state actuary, governor, and General Assembly pursuant to Public Act 97-0694. The act requires the state actuary to review the assumptions used to calculate the state contribution under the statutory funding plan. The final certification is due January 15, 2014.

State Funding Requirements Under Current Statutory Funding Plan

	FY15	FY14
Benefit Trust Reserve (excludes federal and school district contributions)	$3,411,878,000	$3,437,478,000
Minimum benefit reserve	1,000,000	1,100,000
Total state funding amount	**$3,412,878,000**	**$3,438,578,000**
Employer's normal cost as a percentage of active member payroll	8.02%	7.89%

In 2012, the TRS Board of Trustees resolved to certify state funding requirements under generally accepted actuarial principles and standards. The FY15 amounts below are additional proposed certifications submitted to the state actuary, governor, and General Assembly. They were calculated under the same actuarial assumptions as the amount under the current statutory funding plan. Final certifications under all three calculation procedures will be submitted on or before the January 15, 2014 deadline.

Additional FY15 State Funding Certifications Under Actuarial Standards

	Employer's Normal Cost Plus 30 Yr. Level Percent Amortization	Employer's Normal Cost Plus Interest on the Unfunded Liability
Benefit Trust Reserve (excludes federal and school district contributions)	$4,061,168,000	$5,090,537,000
Minimum benefit reserve	1,000,000	1,000,000
Total state funding amount	**$4,062,168,000**	**$5,091,537,000**

TESTS OF FINANCIAL CONDITION

The **funded ratio** shows the percentage of the accrued liability covered by actuarial value of assets.

Funded Ratio Test
($ thousands)

		Assets		Unfunded Liability using Assets based on		Funded Ratio using Assets based on	
As of June 30	Actuarial Accrued Liability	Actuarial Value (Smoothed)[1]	Fair Value[2]	Actuarial Value (Smoothed)[1]	Fair Value[2]	Actuarial Value (Smoothed)[1]	Fair Value[2]
2004	$50,947,451	$31,544,729	$31,544,729	$19,402,722	$19,402,722	61.9%	61.9%
2005	56,075,029	34,085,218	34,085,218	21,989,811	21,989,811	60.8	60.8
2006	58,996,913	36,584,889	36,584,889	22,412,024	22,412,024	62.0	62.0
2007	65,648,395	41,909,318	41,909,318	23,739,077	23,739,077	63.8	63.8
2008	68,632,367	38,430,723	38,430,723	30,201,644	30,201,644	56.0	56.0
2009	73,027,198	38,026,044	28,497,729[3]	35,001,154	44,529,469	52.1	39.0[3]
2010	77,293,198	37,439,092	31,323,784	39,854,106	45,969,414	48.4	40.5
2011	81,299,745	37,769,753	37,471,267	43,529,992	43,828,478	46.5	46.1
2012	90,024,945	37,945,397	36,516,825	52,079,548	53,508,120	42.1	40.6
2013	**93,886,988**	**38,155,191**	**39,858,768**	**55,731,797**	**54,028,220**	**40.6**	**42.5**

1 *The actuarial value of assets was the same as the fair value of assets through FY08. Five-year prospective smoothing began in FY09.*

2 *The fair value of assets was used as the actuarial value of assets through FY08. Beginning in FY09, the fair value of assets is no longer used for determining state funding requirements but is shown here for comparative purposes.*

3 *The 2009 fair value of assets is the final, actual figure. The actuary's report shows a slightly higher funded ratio of 39.1 percent for 2009 because the fair value of assets was lowered after the actuarial results were certified.*

The **unfunded liability as a percentage of payroll** is a standard measure of the relative size of the unfunded liability. Decreases in this percentage indicate improvements in a system's financial position.

Unfunded Liability as a Percentage of Payroll Test
($ thousands)

Year Ended June 30	Approximate Member Payroll	Unfunded Liability*	Percentage of Payroll
2004	$7,281,000	$19,402,722	266.5%
2005	7,550,510	21,989,811	291.2
2006	7,765,752	22,412,024	288.6
2007	8,149,849	23,739,077	291.3
2008	8,521,717	30,201,644	354.4
2009	8,945,021	35,001,154	391.3
2010	9,251,139	39,854,106	430.8
2011	9,205,603	43,529,992	472.9
2012	9,321,098	52,079,548	558.7
2013	**9,394,741**	**55,731,797**	**593.2**

* *Fair value through FY08. Five-year prospective smoothing began in FY09.*

The **solvency test** measures TRS's ability to cover different types of obligations if the plan was terminated and is hypothetical. The columns are in the order that assets would be used to cover certain types of obligations. Employee contributions would be refunded first, amounts due for participants currently receiving benefits would be covered next, and the employer's obligation for active members would be covered last. Columns 1 and 2 should be fully covered by assets. The portion of column 3 that is covered by assets should increase over time.

Solvency Test
($ thousands)

	Aggregate Accrued Liabilities for				Percentage of Benefits Covered by Net Assets		
Year Ended June 30	Members' Accumulated Contributions (1)	Participants Currently Receiving Benefits (2)	Active Members Employer Portion (3)	Actuarial Value of Assets*	(1)	(2)	(3)
2004	$5,853,274	$28,286,916	$16,807,261	$31,544,729	100%	91%	-
2005	5,925,696	32,861,473	17,287,860	34,085,218	100	86	-
2006	6,303,750	35,315,529	17,377,634	36,584,889	100	86	-
2007	6,500,318	39,785,368	19,362,709	41,909,318	100	89	-
2008	6,931,518	41,849,964	19,850,885	38,430,723	100	75	-
2009	7,320,600	44,495,917	21,210,681	38,026,044	100	69	-
2010	7,715,984	47,475,906	22,101,308	37,439,092	100	63	-
2011	8,048,689	50,567,881	22,683,175	37,769,753	100	59	-
2012	8,270,073	58,734,636	23,020,236	37,945,397	100	51	-
2013	**8,569,939**	**61,254,334**	**24,062,715**	**38,155,191**	**100**	**48**	**-**

** Fair value through FY08. Five-year prospective smoothing began in FY09.*

OTHER INFORMATION

Retirees and Beneficiaries Added to and Removed from Rolls

Year Ended June 30	Number at Beginning of Year	Number Added to Rolls	Number Removed from Rolls	Number at End of Year	End-of-Year Annual Allowances		Average Annual Allowance	
					Amount	% Increase	Amount	% Increase
2004	73,431	6,016	2,542	76,905	$2,432,132,334	11.5%	$31,625	6.5%
2005	76,905	7,897	2,227	82,575	2,806,341,054	15.4	33,985	7.5
2006	82,575	5,147	2,619	85,103	3,018,848,450	7.6	35,473	4.4
2007	85,103	6,473	2,340	89,236	3,344,714,652	10.8	37,482	5.7
2008	89,236	4,912	2,686	91,462	3,551,117,836	6.2	38,826	3.6
2009	91,462	5,520	2,558	94,424	3,815,292,869	7.4	40,406	4.1
2010	94,424	5,711	2,381	97,754	4,109,018,971	7.7	42,034	4.0
2011	97,754	6,377	2,843	101,288	4,418,500,521	7.5	43,623	3.8
2012	101,288	6,943	2,784	105,447	4,781,692,373	8.2	45,347	4.0
2013	**105,447**	**6,404**	**3,068**	**108,783**	**5,100,219,925**	**6.7**	**46,884**	**3.4**

	Amount Added to Rolls*		Amount Removed from Rolls
	Annual Benefit Increases	New Benefit Recipients	
2007	$81,629,966	$295,571,869	$51,335,633
2008	93,731,561	174,119,867	61,448,244
2009	108,144,294	219,175,023	63,144,284
2010	114,879,927	247,234,501	68,388,326
2011	125,124,423	263,213,399	78,856,272
2012	135,604,876	311,161,467	83,574,491
2013	**145,282,975**	**268,124,075**	**94,879,498**

**Amounts added to and removed from rolls are available beginning with the year ended June 30, 2007.*

Average Annual Salary for Active Members by Years of Service

Years of Service*		2013	2012	2011	2010
under 5	**Number**	**24,812**	**25,733**	**27,960**	**33,487**
	Average salary	$46,058	$46,222	$47,292	$46,324
5-9	**Number**	**34,682**	**35,071**	**34,626**	**34,529**
	Average salary	$58,027	$57,741	$57,416	$57,105
10-14	**Number**	**28,503**	**28,105**	**26,865**	**25,051**
	Average salary	$69,686	$68,751	$67,691	$66,788
15-19	**Number**	**19,406**	**18,610**	**17,935**	**17,790**
	Average salary	$79,295	$78,328	$77,268	$76,001
20-24	**Number**	**12,280**	**11,834**	**11,682**	**11,391**
	Average salary	$86,235	$84,904	$83,563	$82,184
25-29	**Number**	**7,913**	**7,940**	**7,834**	**7,786**
	Average salary	$91,735	$89,986	$88,416	$86,566
30-34	**Number**	**4,247**	**4,826**	**5,839**	**6,554**
	Average salary	$96,966	$94,665	$93,299	$91,077
35 +	**Number**	**889**	**994**	**1,179**	**1,251**
	Average salary	$101,293	$98,140	$98,678	$95,486
	Total number	**132,732**	**133,113**	**133,920**	**137,839**
	Average salary	$67,558	$66,696	$66,044	$64,385
	% Change average salary	**1.3%**	**1.0%**	**2.6%**	**3.3%**
	Total payroll full & part-time	**$8,967,108,456**	**$8,878,104,648**	**$8,844,612,480**	**$8,874,727,268**

Annual salaries are computed using full- and part-time salary rates only; substitute and hourly employee salaries are omitted.

Total payroll shown will be lower than payroll figures used elsewhere in this report.

** From FY04-FY08, years of service increments were as follows: 0-5, 6-10, 11-15, 16-20, 21-25, 26-30, 31-35, and 35+. However, figures for those years are not restated because the differences would be minor.*

2009	2008	2007	2006	2005	2004
37,293	**42,725**	**41,244**	**40,930**	**39,728**	**36,951**
$45,464	$44,916	$43,446	$42,404	$41,444	$37,633
33,494	**31,959**	**30,520**	**28,847**	**26,557**	**26,027**
$55,945	$55,436	$53,062	$51,314	$49,536	$45,568
23,133	**21,395**	**20,469**	**20,222**	**20,295**	**18,307**
$65,168	$64,705	$62,447	$60,476	$58,195	$52,771
17,417	**14,753**	**14,422**	**14,086**	**13,429**	**13,358**
$73,770	$71,802	$69,368	$67,343	$65,276	$59,820
11,084	**10,447**	**9,814**	**9,619**	**9,431**	**10,868**
$79,805	$78,080	$74,894	$72,531	$70,278	$64,881
7,790	**8,654**	**9,484**	**10,349**	**10,667**	**12,488**
$84,282	$82,013	$78,831	$76,616	$74,127	$69,276
6,858	**5,763**	**5,301**	**6,134**	**5,900**	**9,186**
$87,973	$85,738	$82,508	$83,165	$79,236	$75,643
1,265	**790**	**694**	**785**	**744**	**1,162**
$90,698	$88,478	$84,065	$84,524	$81,497	$77,805
138,334	**136,486**	**131,948**	**130,972**	**126,751**	**128,347**
$62,319	$60,254	$58,116	$56,916	$55,237	$52,181
3.4%	**3.7%**	**2.1%**	**3.0%**	**5.9%**	**(0.4%)**
$8,620,836,546	**$8,223,827,444**	**$7,668,289,968**	**$7,454,402,352**	**$7,001,344,987**	**$6,697,274,807**

ACTIVE MEMBERS BY AGE AND YEARS OF SERVICE AS OF JUNE 30, 2013

			Years of Service			
Age		**Subs**	**Under 5**	**5-9**	**10-14**	**15-19**
20-24	**Number**	**2,955**	**3,148**	**-**	**-**	**-**
	Average Salary	$5,006	$39,452	-	-	-
25-29	**Number**	**4,260**	**11,297**	**6,062**	**-**	**-**
	Average Salary	$5,069	$44,777	$53,378	-	-
30-34	**Number**	**2,611**	**4,121**	**13,939**	**4,722**	**-**
	Average Salary	$4,566	$48,313	$57,814	$66,396	-
35-39	**Number**	**2,436**	**2,008**	**5,005**	**10,550**	**2,795**
	Average Salary	$4,505	$49,681	$60,155	$70,250	$77,985
40-44	**Number**	**3,645**	**1,754**	**3,513**	**4,691**	**7,446**
	Average Salary	$4,697	$49,091	$60,108	$71,114	$80,459
45-49	**Number**	**3,239**	**1,140**	**2,457**	**2,825**	**3,174**
	Average Salary	$4,772	$50,233	$58,693	$70,381	$80,613
50-54	**Number**	**2,992**	**734**	**1,969**	**2,498**	**2,356**
	Average Salary	$4,773	$50,663	$59,452	$68,884	$77,007
55-59	**Number**	**2,621**	**409**	**1,133**	**2,100**	**2,231**
	Average Salary	$4,863	$54,086	$61,944	$69,726	$77,878
60-64	**Number**	**1,931**	**156**	**490**	**915**	**1,201**
	Average Salary	$4,660	$55,956	$64,475	$71,446	$78,457
65-69	**Number**	**861**	**33**	**106**	**182**	**184**
	Average Salary	$4,342	$60,724	$69,678	$74,391	$82,190
70-74	**Number**	**260**	**6**	**7**	**18**	**16**
	Average Salary	$4,318	$37,179	$48,806	$89,099	$70,771
Over 74	**Number**	**149**	**6**	**1**	**2**	**3**
	Average Salary	$4,070	$39,695	$29,405	$77,488	$72,030
	Total Number	**27,960**	**24,812**	**34,682**	**28,503**	**19,406**
	Average Salary	**$4,769**	**$46,058**	**$58,027**	**$69,686**	**$79,295**

Years of Service							
20-24	25-29	30-34	35-39	40-44	45-49	50+	Full and Part-time Member Totals
-	**-**	**-**	**-**	**-**	**-**	**-**	**3,148**
-	-	-	-	-	-	-	$39,452
-	**-**	**-**	**-**	**-**	**-**	**-**	**17,359**
-	-	-	-	-	-	-	$47,781
-	**-**	**-**	**-**	**-**	**-**	**-**	**22,782**
-	-	-	-	-	-	-	$57,874
-	**-**	**-**	**-**	**-**	**-**	**-**	**20,358**
-	-	-	-	-	-	-	$66,802
2,066	**-**	**-**	**-**	**-**	**-**	**-**	**19,470**
$85,065	-	-	-	-	-	-	$72,198
4,459	**1,476**	**-**	**-**	**-**	**-**	**-**	**15,531**
$87,330	$91,720	-	-	-	-	-	$76,038
2,329	**3,652**	**1,302**	**-**	**-**	**-**	**-**	**14,840**
$85,988	$91,703	$95,078	-	-	-	-	$78,619
2,065	**1,837**	**2,355**	**373**	**-**	**-**	**-**	**12,503**
$84,385	$91,497	$97,624	$100,027	-	-	-	$81,742
1,155	**809**	**512**	**340**	**74**	**-**	**-**	**5,652**
$87,942	$92,175	$98,772	$101,895	$100,838	-	-	$82,934
191	**125**	**71**	**33**	**37**	**4**	**-**	**966**
$86,176	$93,855	$97,693	$98,051	$108,366	$145,767	-	$83,859
14	**12**	**6**	**7**	**6**	**4**	**2**	**98**
$84,631	$90,407	$87,389	$103,378	$90,084	$89,302	$94,664	$80,669
1	**2**	**1**	**2**	**2**	**3**	**2**	**25**
$75,508	$78,739	$86,450	$92,341	$139,624	$118,142	$88,159	$78,110
12,280	**7,913**	**4,247**	**755**	**119**	**11**	**4**	**132,732**
$86,235	**$91,735**	**$96,966**	**$100,792**	**$103,288**	**$117,700**	**$91,412**	**$67,558**

	Average Age	Average Years of Service	Number
Full and part-time members	42	12	132,732
Substitutes	42	3	27,960
All	**42**	**10**	**160,692**

PLAN SUMMARY

Administration

TRS was created and is governed by Article 16 of the Illinois Pension Code, contained in the Illinois Compiled Statutes (ILCS). A 13-member Board of Trustees is authorized to carry out duties granted to it under the article.

Membership

Membership is mandatory for all full-time, part-time, and substitute public school personnel employed outside the city of Chicago in positions requiring certification. Persons employed at certain state agencies are also members.

Contributions

During FY13, members contributed 9.4 percent of gross creditable earnings designated as 7.5 percent for retirement annuity, 0.5 percent for post-retirement increases, 0.4 percent for the Early Retirement Option, and 1.0 percent for death benefits. Active members do not contribute to Social Security for TRS-covered employment; however, members hired after March 31, 1986, are required to contribute to Medicare. In addition, virtually all members pay a contribution to the Teachers' Health Insurance Security Fund, a separate fund in the State Treasury that is not a part of this retirement plan. For FY13, the member contribution was 0.92 percent of pay.

Service Credit

A member is granted a maximum of one year of service credit for 170 paid days per school year, defined by statute as July 1 through June 30. Optional service credit is available for periods of public school teaching in other states or under the authority of the United States government, substitute or part-time teaching prior to July 1, 1990, leaves of absence, involuntary layoffs, military service, and gaps in teaching due to pregnancy or adoption prior to July 1, 1983. Up to two years of unused, uncompensated sick leave that has been certified by former employers may also be added as service credit at retirement.

Refunds

After a four-month waiting period from the date last taught, a member ceasing TRS-covered employment may withdraw all contributions, except the 1 percent death benefit. When accepting a refund, the member forfeits all service credit and benefit rights. Credit can be re-established if the member returns to a TRS-covered position for one year or to a reciprocal system for two years and repays the refund with interest. A member receiving disability benefits is not eligible for a refund.

Retirement Benefits

The following vesting schedule applies to all members hired before January 1, 2011.

Years of Service	Age
5	62
10	60
20	55 (discounted)
35	55 (nondiscounted)

To be eligible to receive a monthly retirement annuity, a member must terminate active service and meet specific age and service requirements. If a member retires at an age less than 60 with fewer than 35 years of service and does not elect the Early Retirement Option (discussed under "Early Retirement"), the benefit will be reduced by 6 percent for each year the member is under age 60.

A member with fewer than five years of creditable service who taught after July 1, 1947, is eligible to receive a single-sum retirement benefit at age 65.

Most members retire under a retirement benefit formula. This retirement annuity is determined by two factors: average salary and years of creditable service. Average salary is the average of the creditable earnings in the highest four consecutive years within the last 10 years of creditable service. Years of service determine the percentage of the final average salary to which members are entitled. Members with contributing service before July 1, 2005, can retire under a money purchase style "actuarial" benefit instead of a retirement benefit formula. By law, the higher of the formula benefit or the actuarial benefit is paid. The maximum formula benefit is 75 percent of the final average salary; there is no maximum for the actuarial benefit.

Public Act 90-0582 improved retirement benefits for TRS members by changing the rate at which TRS benefits accrue beginning July 1, 1998, from a graduated rate to a flat rate equal to 2.2 percent of final average salary. Members who retire on or after the effective date have the option of upgrading their service earned prior to July 1, 1998, to the flat-rate 2.2 percent formula by making a payment to TRS. Additionally, for members who continue to teach, every three full years worked after July 1, 1998, count toward a full one-year reduction of the years to be upgraded.

Public Act 91-0017 reduced the 2.2 formula upgrade cost on a sliding scale for members who have more than 34 years of service credit. The legislation also made a technical correction in the benefit accrual rate for members who do not upgrade their pre-July 1998 service.

Years of service earned before July 1, 1998, were earned under a four-step graduated formula:

- 1.67 percent for each of years one through 10,
- 1.9 percent for each of years 11 through 20,
- 2.1 percent for each of years 21 through 30, and
- 2.3 percent for each year over 30.

The maximum annuity, 75 percent of final average salary, is achieved with 34 years under the 2.2 formula and with 38 years of service under the graduated formula. The minimum retirement benefit is $25 per month for each year of creditable service up to 30 years of service.

Early Retirement

Members who are age 55 but under age 60 who have at least 20 but fewer than 35 years of service can elect the Early Retirement Option (ERO) to avoid a discounted annuity. Both the member and employer make one-time contributions at retirement. Under the terms of the ERO program described in Public Act 98-0042, the member pays 14.4 percent for each year that his or her age is under 60 or years of service is under 35, whichever is less. The employer pays 29.3 percent for each year the member is under age 60.

Continuation of the ERO program beyond June 30, 2016 will depend on legislative action.

Post-Retirement Increase

Annuitants who meet certain service credit criteria receive an annual 3 percent increase in their gross annuities on the January 1 after they turn age 61 or the January 1 following the first anniversary in retirement, whichever is later.

Disability Benefits

TRS offers occupational and nonoccupational disability benefits to active members. Nonoccupational disability benefits are payable as disability benefits or as a disability retirement annuity to members who have a minimum of three years of creditable service. There is no minimum service requirement for occupational disability benefits for duty-related accidents or illnesses. Members continue to accrue service credit while they are receiving disability benefits but not while they are receiving disability retirement annuities. On January 1 following the fourth anniversary of the granting of the disability benefit, the monthly benefit is increased 7 percent. Thereafter, the benefit increases by 3 percent each January 1.

Public Act 94-0539 allows individuals who have received TRS disability benefits for one year or more to return to teaching if their medical conditions improve, allowing part-time work. It allows members on a limited basis to tutor, substitute, or teach part-time for a TRS-covered employer without loss of disability benefits as long as the combined earnings from teaching and disability benefits do not exceed 100 percent of the salary rate upon which the disability benefit was based.

Death Benefits

There are two types of death benefits: a return of the member's accumulated contributions and survivor benefits.

The return of member contributions includes the retirement contributions (6.5 percent of salary through June 30, 1998 and 7.5 percent after that date), with interest, as well as 0.5 percent paid toward annual increases in annuity, and 0.4 percent paid for the Early Retirement Option. Beneficiaries of an annuitant receive the accumulated contributions minus the amount that the member had already received as a retirement annuity.

Survivor benefits can be paid in either a lump-sum or a monthly payment. A lump-sum benefit is the only method payable to nondependent beneficiaries. A dependent beneficiary may choose either a lump-sum benefit or a monthly payment. Survivor benefit recipients who are beneficiaries of a retired member are eligible for an annual 3 percent increase effective January 1 following the granting of the survivor benefit. Survivor benefit recipients who are beneficiaries of an active or eligible inactive member are eligible for an annual 3 percent increase on January 1 following the first anniversary of their receiving the survivor benefit.

Employment-Related Felony Conviction

Any member convicted of a felony related to or in connection with teaching is not eligible for TRS benefits; however, the member may receive a refund of contributions.

Continuity of Credit within Illinois

TRS is one of 13 public retirement systems that are included in the provisions of the Illinois Retirement Systems' Reciprocal Act. This act ensures continuous pension credit for public employment in Illinois.

Conflicts

Conditions involving a claim for benefits may require further clarification. If conflicts arise between material in this summary and that of the law, the law takes precedence.