

# TOPICS & REPORT

Teachers' Retirement System of the State of Illinois  
Winter 2009 – 2010



## TRS Embraces a New Season of Change in 2010

**"To everything (turn, turn, turn)  
There is a season (turn, turn, turn)  
And a time for every purpose..."**

*"Turn! Turn! Turn! (to Everything There is a Season)" by the Byrds*

The Teachers' Retirement System of the State of Illinois (TRS) has undergone significant changes since it was established 70 years ago in 1939.

Technological improvements, benefit protections, and a sophisticated investment model are among the additions to TRS since its inception. More recently, state law enacted in 2009 improved the transparency of the investment process, changed the composition of the TRS Board of Trustees, and impacted the executive leadership of the agency.

As TRS celebrates its 70th anniversary, your retirement system recognizes the value of all the seasons of change. In good times and in bad, protecting the retirement security of our members remains the top priority at the Teachers' Retirement System.

### Investments

A global economic downturn, high unemployment in the U.S., and volatility in the financial markets are staples of the current season. However, TRS has successfully weathered other turbulent times during its 70-year history and this is no exception. That is not to say TRS is downplaying its recent investment losses in fiscal year 2009, the state's fiscal crisis, or its ballooning pension debt.

The year 2010 marks a new season of change for TRS. Investment

returns had already begun to rebound during the quarter that ended September 30, 2009, and more recent performance shows a slow but steady climb toward positive territory.

Historically, investment income has comprised nearly 60 percent of all TRS income, including during other periods of market volatility. TRS has a longer investment horizon to recoup the recent losses.

### Funding

TRS continues to advocate compliance with a funding plan that will retire the system's unfunded liability. This debt is mainly due to the state's failure to follow sound pension funding practices over the past several decades.

### Benefit Protections

The benefit protections contained in the Illinois and U.S. Constitutions prevent reductions in benefits being earned by active members. However, some believe that benefit levels should be drastically reduced for new hires.

Also, many discussions have been held on the type of benefit structure the state should offer its annuitants. TRS provides a defined benefit structure

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### Special Insert

The fiscal year 2009 *Annual Financial Report Summary* was a special insert within the printed edition. Click here to view the report (PDF).



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## Retirement Security for Illinois Educators

### Topics & Report Distribution Has Gone Green

TRS went "Green" with the summer 2009 *Topics & Report* newsletter!

For the first time ever, the summer issue was e-mailed instead of mailed to approximately 82,000 subscribers. This change allowed us to more quickly provide the newsletter before our printed copies had been printed or mailed. More importantly, it also conserved our natural resources and is fiscally responsible by reducing printing and mailing costs for TRS.

In the current fiscal year, we estimate approximate savings of \$75,000 in postage and printing expenses by going green. Thank you to those who have provided current e-mail addresses to help us make this very significant distribution change.

If you have not yet provided us with your e-mail address and would like to go green, we need your e-mail address and some personal details to match your e-mail address to your TRS record. Send an e-mail to [members@trs.illinois.gov](mailto:members@trs.illinois.gov) with "Going Green" in the subject line. Next, type your full name, zip code, the last four digits of your Social Security number, and your e-mail address. We will match your e-mail address to your record upon receipt. You may also submit your e-mail address in the secure Member Account Access area.

If you received this edition via e-mail, we have your e-mail address and there is nothing further you need to provide.



### New Season

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that ensures a lifetime of retirement security for our members. That is in stark contrast to defined contribution plans, such as 401(k) plans, that rely on the investment decisions made by individual members and provide no guarantees of retirement income.

TRS will continue educating policy makers about defined contribution plans so they are not viewed as a panacea to a very difficult funding challenge in the state of Illinois.

TRS is ready for the challenges of this new season and welcomes the public dialogue needed to protect retirement security and strengthen the state's commitment to responsible funding.

### Update Your E-mail Address With TRS When You Retire

Be sure to continue receiving your electronic copy of *Topics & Report* after you retire. If you are receiving TRS e-mails through your school district's account, send TRS your home e-mail address at retirement. E-mailed communication not only enables you to receive TRS information more quickly than a mailed copy, but is also environmentally friendly and economical.

### Payroll Deduction Program Ends June 30, 2010

In order to comply with recent IRS guidance, the TRS Payroll Deduction Program (PDP) will end on June 30, 2010.

Members affected by the ending of the program were notified by mail in May 2008. These members will be contacted again this spring about their remaining balances. The balance does not need to be paid in full on June 30, 2010. However, members should research their remaining balance payment options.



Members with outstanding balances after June 30, 2010 may pay the remaining balance on a pre-tax basis through a rollover from a qualified plan. They may choose to consult a tax advisor or plan administrator for details. Members may also read *Expanded Tax-Free Rollovers to TRS* (Information Bulletin 0059) online under the Member Publications area of the TRS Web site, [trs.illinois.gov](http://trs.illinois.gov), for more information.



**Retirement Security for Illinois Educators**

# Early 2010 Important Annuitant Reminders

## Expect arrival of 1099-R

If you received a TRS benefit in 2009, the Office of the Comptroller will mail an IRS Form 1099-R to you by January 31, 2010. This form will report your income received from TRS during 2009.

**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 2009 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 2010 benefit payment received in February reflects your annual 3 percent post-retirement increase. The increase is first effective on January 1 following either your first retirement anniversary or your 61st birthday, whichever is later. Following the first increase, your benefit increases 3 percent

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

## Withholding tables changed Jan. 1

Revised federal withholding tables went into effect on January 1, 2010. As a result, the federal taxes withheld from your January 1, 2010 annuity payment may increase or decrease based on your filing status.

TRS is not in the position to give tax advice. 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 2010 tax year. If you are underwithholding, 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 [trs.illinois.gov](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>2009</b> Form <b>1099-R</b>	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
		2a Taxable amount \$		
		2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>	
PAYER'S federal identification number	RECIPIENT'S identification number	3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$	
RECIPIENT'S name		5 Employee contributions / Designated Roth contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$	<b>Box 5</b>
Street address (including apt. no.)		7 Distribution code(s)	8 Other \$ %	
City, state, and ZIP code		9a Your percentage of total distribution %	9b Total employee contributions \$	
	1st year of desig. Roth contrib.	10 State tax withheld \$	11 State/Payer's state no. \$	
Account number (see instructions)		13 Local tax withheld \$	14 Name of locality \$	12 State distribution \$
				15 Local distribution \$

Form 1099-R

(keep for your records)

Department of the Treasury - Internal Revenue Service



## Illinois Pension Modernization Task Force Adjourns Without Adopting Recommendations

The Illinois Pension Modernization Task Force completed the requirements of Joint Resolution 65 without passing any recommendations in November 2009.

The task force, which met several times over the summer and fall, was made up of 19 members including state representatives, senators, labor representatives, annuitants, and civic leaders.

The resolution's purpose was to compare the level of Illinois benefits with those of other states and the private sector, as well as the long-term cost of current benefits.

The task force was also required to analyze which benefits could be "modernized" and what effect those changes would have on the ability of public employers to attract and retain employees.

The recommendations failed to pass by a vote of 09-10-00 with nine members, including those



representing active and retired teachers, voting yes (to approve the recommendations).

A copy of the report that was voted down contained the following:

- Illinois public sector benefits are average when compared to states that do not offer Social Security.

- Reducing benefits for new hires would not provide budget relief for decades.
- The Constitution prohibits benefit reductions for individuals who are already retired or teaching.

The fact that the task force failed to agree on how the state should address the pension issues it faces shows that there is not a simple fix to the current unfunded liability in Illinois pensions. Instead of one-time fixes, below average benefits, or sophisticated borrowing strategies, Illinois will ultimately have to deal with its debt in the same manner that every individual and entity does — by paying it.

Although the report was not adopted, it is likely to be used as a reference as discussions on benefits and funding continue in 2010.

## Marcia Boone Appointed to TRS Board of Trustees

**Marcia Boone** has been appointed by Illinois Governor Pat Quinn to the TRS Board of Trustees. The O'Fallon resident is the Foundation accounting specialist at Southwestern Illinois College. Boone also held numerous positions in the college's business offices since 1983. She previously served on the TRS Board from March 2007 until May 2009. Marcia was appointed to fill a vacancy created when Matt Berns resigned in order to serve as a trustee at the State Universities Retirement System. Her new term on the TRS Board of Trustees was effective October 20, 2009 and runs through July 2014. TRS is governed by a 13-member Board of Trustees.



## Upcoming 2010 Board of Trustee Meetings

All meetings will be held at the 2815 West Washington Street TRS office in Springfield. Board actions are located on our Web site, [trs.illinois.gov](http://trs.illinois.gov).

- January 28, 2010 – Opportunity Forum
- January 29, 2010 – Stakeholder Forum
- February 24-26, 2010
- April 22-23, 2010 – Retreat
- May 19-21, 2010
- June 24-25, 2010 (Tentative)



## Retirement Security for Illinois Educators

# TRS Benefits Report Sent to Active and Inactive Members

The TRS Benefits Report was mailed in early December. This year's theme celebrated TRS's 70th anniversary.

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 report available in the secure Member Account Access area. Recent payments and changes in outstanding balances that have occurred since the report was mailed will be shown online.

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

Annuitants do not receive TRS Benefits Reports.



## Unicare HMO Leaves TRIP

Effective January 1, 2010, Unicare HMO is no longer an insurance provider with the Teachers' Retirement Insurance Program (TRIP). CMS contacted affected members in November about switching to a different provider by December 15, 2009.

## Hall of Fame Inducts John Day

In November 2009, former TRS employee John Day was inducted into the Samuel K. Gove Illinois Legislative Internship Hall of Fame. The hall of fame, sponsored by *Illinois Issues* magazine, honors former legislative interns whose careers have exemplified distinguished public service. John Day served in numerous positions at TRS from 1993 to 2003 as director of government affairs, interim executive director, acting chief investment officer, and assistant executive director. Formerly of Rochester, Ill., Day is retired and resides in Mill Creek, Washington.



## TRS Receives GFOA Award for 2008 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, 2008. 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 nine consecutive years. We believe the June 30, 2009 report, which is enclosed with this newsletter, also conforms to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.





## Talented Teacher Speaks His Students' Language

### High school teacher uses rap music and poetry to inspire his students

Modern culture collided with history in a way that was thought-provoking and relevant to the sophomores in A.D. Carson's American Literature classes at Springfield High School. That is because Carson is also a published poet, a hip-hop recording artist, and a self-professed writer at heart. His resume now includes his current position of athletic academic coach.



A.D. Carson is an educator at Springfield High School.

The 29-year-old educator said he is a teacher first who uses a variety of methods, including hip-hop lyrics and poetry, to inspire his students to become creative writers.

Carson said it was easier to teach American Literature knowing and understanding the genre of rap music. "A rapper is creating a character and a representative of an 'everyman' hoping everyone will relate to a particular situation," said Carson. He said he has taught his students to use lyrics as a framing technique to write a story.

Carson has released three rap albums of his own. He is working on the release of a fourth album along with a companion book that contains the lyrics, memoir-styled narrations, and the story of a university professor who is trying to reach her students through writing.

Carson said at first he tried to hide his passion for hip-hop from his students because of the more salacious aspects of the relatively new genre. Just as he sends out consent forms to parents before his students read classics such as *To Kill a Mockingbird*, he also promotes the use of advisory labels on rap music to allow parents the chance to preview it.

His students eventually learned that their teacher was also a talented writer, poet, and rapper in his own right, which he said led to great teachable moments. "They were interested in my stories from when I spent a week traveling with and writing about the 'Scream Tour' for an online hip-hop magazine." The tour allowed him to interview some of the nation's most popular and successful rap artists.

"I told them the fact that I have a degree in writing enabled me

to do that," said Carson. Carson earned bachelor degrees in writing and education from Millikin University and holds a master's degree in writing from the U of I at Springfield.

The Decatur native received the same kind of encouragement when he was their age. Former African American poet laureate Gwendolyn Brooks visited Carson's high school when he was 14 years old. He says he

wrote a poem in class the morning of her visit and sheepishly presented it to her after standing in a long line of students waiting to meet her.

"She reads it, smiles and says 'It's beautiful.' Then she grabs me by the arm and says, 'You're going to be my buddy for the rest of the day,' and I sat next to her as she signed autographs for the other students," Carson said. He said later that same day, Brooks gave him her own copy of the book she was reading and wrote down her home address inside the cover, instructing him to keep writing and to send her a collection of poems.

He did so and the two stayed in regular contact for several years. Brooks has said publicly that Langston Hughes, another prominent award-winning African American poet, encouraged her

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## Retirement Security for Illinois Educators

### Carson *continued from page 6*

to keep writing when she was a teen. She did the same for Carson and even wrote a recommendation for a Golden Apple scholarship, which he received.

In turn, Carson is sharing that encouragement with his students by using methods they enjoy and that help them develop their talents. However, he is employing his teaching skills in a different arena this year.

Instead of teaching American Literature, Carson is serving

as a full-time athletic academic coach at Springfield High School, working with the athletes, their parents and other teachers. Carson is a former high school and college athlete himself and is doing more than just ensuring his students are academically eligible to play sports.

He is helping them to increase their opportunities for higher education, enhancing the development of life skills and opportunities for family

and community involvement. Additionally, Carson is tutoring and operating study tables for the entire student body at Springfield High School.

“The same skill set is involved in getting the students to... understand that the things we do that we love (such as sports or music or whatever our pastimes may be) have transferable skills that carry over into our lives and help us to be hard-working, productive citizens of the world.”

## Private School Credit May Be Purchased Until August 1, 2012

Effective August 17, 2009, the Illinois Pension Code allows a limited opportunity to purchase credit for service as a teacher (K-12) or administrator in a recognized Illinois private school.

Post-secondary institutions are not included. Retired members may not purchase this service. You must apply for this credit in writing on or before August 1, 2012.

Eligible private school teaching requires that you must have:

- been employed in a private school recognized by the Illinois State Board of Education, and
- been certified as a teacher or administrator during the period of private school service.

Before such service can be included in the calculation of a benefit, you must:



- complete at least 10 years of contributing TRS service, which is defined as regular TRS service reported to the Teachers' Retirement System. Sick leave and optional service are not regular TRS service, so they do not count towards the 10 years of contributing service requirement;
- establish at least one full-time salary following the private school service, and
- complete payment in full.

A maximum of two years of private school credit may be purchased. If you previously

purchased two years of private school credit, you may not purchase additional private school credit. For further details, please call TRS at (800) 877-7896 or e-mail us at [members@trs.illinois.gov](mailto:members@trs.illinois.gov).



## **Retirement Security for Illinois Educators**

Teachers' Retirement System of the State of Illinois

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

#### **Address changes**

To ensure that all information about your retirement benefit 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
- former street address, city, state, and ZIP
- new street address, city, state, and ZIP
- daytime telephone number.

### **Topics & Report**

Published by the Teachers' Retirement System of the State of Illinois

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