

AARP IN THE STATES



SNAPSHOT: State Employees' Retirement System of Illinois

The State Employees' Retirement System of Illinois (SERS) provides benefits to qualified state employees. Some employees are not covered by Social Security.

The SERS Pension Works for Illinois Stakeholders



Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.



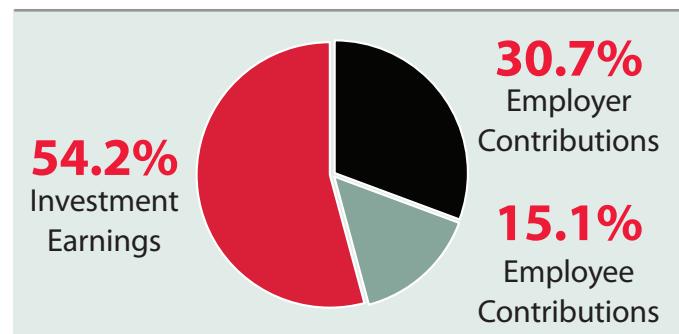
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.



Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New SERS employees contribute 4% or 8% of their pay into the fund, depending on if they are covered by Social Security. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers paid only 30.4% of the cost of benefits.



Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:

10%



cost savings from pooling longevity risk

11%



cost savings from optimal asset allocation

27%



cost savings due to higher returns and lower fees

48%



total cost savings

SERS Key Facts



Illinois SERS serves 61,317 active employees and 70,244 retired members and survivor beneficiaries.



New employees contribute 4% of pay if covered by Social Security, or 8% of pay if not covered by Social Security, to SERS.



Employers contribute 43.9% to the fund for employees.



The average monthly retirement benefit for members is \$2,599.



After a 30-year career, SERS will replace 50.1% of final average salary.

Historical SERS Funding Experience

Illinois established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2016 year, SERS had \$15.6 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund becomes financially sound over time.

Illinois Paid 80.7% of Weighted Average Percent of ADC from FY2001-FY2015 for SERS



Illinois Made Plan Changes to SERS in Recent Years

SERS has historically been underfunded and the stock market crash in 2008-2009 added to the funding deficit. Illinois policymakers made changes to the SERS in 2010 for employees hired after 1/1/11 as a move to improve long-term sustainability. These included:

- Reducing benefits by lowering the final average salary, raising both the normal and early retirement ages, and increasing the service period to qualify for benefits.
- Lowering cost of living adjustments (COLA) and delaying COLAs until 67.
- Additional comprehensive reforms passed by the legislature were found unconstitutional.

The Economic Impact of Illinois Pensions:



\$24.2 billion

in economic output generated by retirees' spending from public pensions in Illinois.



223,182 jobs

paying \$11.7 billion in wages supported by retirees spending from public pensions in Illinois.



\$5.4 billion

in federal, state, and local tax revenues generated by retiree benefits and spending in Illinois.

All data come from Illinois, Public Plans Data, or the National Institute on Retirement Security.

AARP IN THE STATES



BY THE NUMBERS: State Employees' Retirement System of Illinois



The **State Employees' Retirement System of Illinois (SERS)** provides a defined benefit (DB) pension for public employees. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees to better serve taxpayers. DB pension payments also support the state's economy.

Key facts about the plan and its benefits:

**61,317**

Total active members of the State Employees' Retirement System of Illinois.

**50.1%**

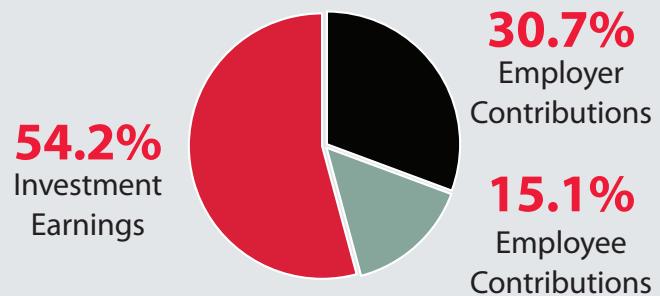
After a 30-year career, SERS will replace 50.1% of an employee's pre-retirement income.

**\$2,599**

Typical pension benefit paid to retired SERS members each month.

Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New SERS employees contribute 4% or 8% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers (employer contributions) paid only 30.7% of the cost of pension benefits.



The spending from the pension checks of the 70,244 retired public employees helps support:

**\$24.2 billion**

in economic output in Illinois.

**223,182 jobs**

paying those workers in Illinois \$11.7 billion in income.

**\$5.4 billion**

in federal, state, and local tax revenues based on benefits and spending in Illinois.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by Illinois taxpayers (employers) in these plans supported **\$5.01** in total economic activity in the state.

**\$1.00****\$5.01**

All data come from Illinois, Public Plans Data, or the National Institute on Retirement Security.

AARP IN THE STATES



SNAPSHOT: Teachers' Retirement System of Illinois

The Teachers' Retirement System of the State of Illinois (TRS) provides benefits to qualified public school educators. Teachers are not covered by Social Security.

TRS Pension Works for Illinois Stakeholders



Effective teachers are the cornerstone of education quality, but teachers are underpaid. Pensions help schools keep teachers and compensate for low pay.



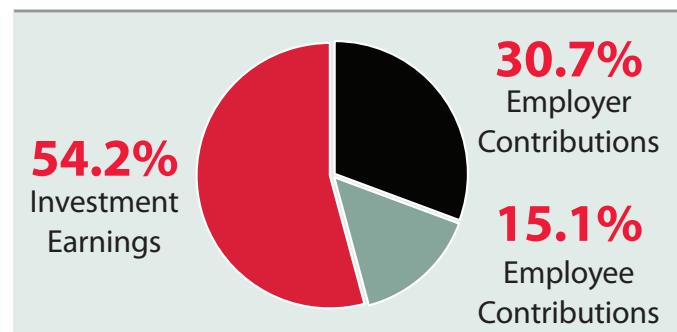
Retaining experienced midcareer teachers boosts student performance. Pensions help keep effective midcareer teachers in the classroom, increasing educational quality.



Pensions offer teachers the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New TRS Tier II employees contribute 9% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers paid only 30.7% of the cost of benefits.



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cost savings from optimal asset allocation

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cost savings due to higher returns and lower fees

48%



total cost savings

TRS Key Facts



Illinois TRS serves 159,684 active employees and 115,273 retired members and survivor beneficiaries.



New tier II employees contribute 9% to TRS.



Employers contribute 39.6% to the fund for employees.



The average monthly retirement benefit for members is \$4,141.



After a 30-year career, TRS will replace 66% of final average salary.

Historical TRS Funding Experience

Illinois established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2016 year, TRS had \$47.2 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund becomes financially sound over time.

Illinois Paid 73.8% of Weighted Average Percent of ADC from FY2001-FY2015 for TRS



Illinois Made Plan Changes to TRS in Recent Years

TRS has historically been underfunded and the stock market crash in 2008-2009 added to its funding deficit. Illinois policymakers made changes to TRS in 2010 for teachers hired after 1/1/11 as a move to improve its long-term sustainability. These included:

- Reducing benefits by lowering the final average salary, raising both the normal and early retirement ages, and increasing the service period to qualify.
- Lowering cost of living adjustments (COLA) and delaying COLAs until 67.
- Additional comprehensive reforms passed by the legislature were found unconstitutional.

The Economic Impact of Illinois Pensions:



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223,182 jobs

paying \$11.7 billion in wages supported by retirees spending from public pensions in Illinois.



\$5.4 billion

in federal, state, and local tax revenues generated by retiree benefits and spending in Illinois.

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AARP IN THE STATES



BY THE NUMBERS: Teachers' Retirement System of the State of Illinois



The **Teachers' Retirement System of the State of Illinois (TRS)** provides a defined benefit (DB) pension for teachers who do not participate in Social Security. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced teachers, who provide quality education for our children. DB pension payments also support the state's economy.

Key facts about the plan and its benefits:



159,684

Total active members of Teachers' Retirement System of the State of Illinois.



66%

After a 30-year career, TRS will replace 66% of an employee's pre-retirement income — and no Social Security benefits.

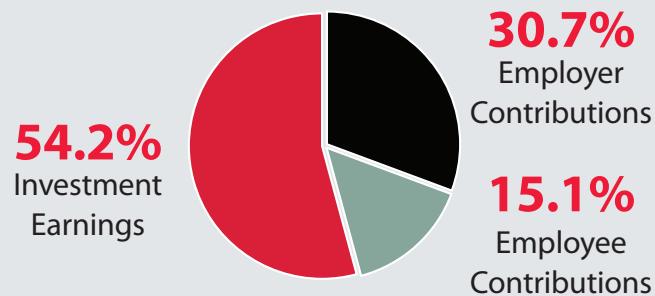


\$4,141

Typical pension benefit paid to retired TRS members each month.

Pensions are a good deal for taxpayers:

Funding of teacher pensions is shared by employees and employers. TRS tier II employees contribute 9% of pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers (employer contributions) paid only 30.7% of the cost of pension benefits.



The spending from the pension checks of the 115,273 retired public employees helps support:



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223,182 jobs

paying those workers in Illinois \$11.7 billion in income.



\$5.4 billion

in federal, state, and local tax revenues based on benefits and spending in Illinois.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by Illinois taxpayers (employers) in these plans supported **\$5.01** in total economic activity in the state.



\$1.00



\$5.01

All data come from Illinois, Public Plans Data, or the National Institute on Retirement Security.



Pensions Help Deliver Quality Education in Illinois

Defined benefit (DB) pensions play a fundamental role in retaining high-quality, experienced teachers in the classroom. These effective, experienced teachers are the most important school-based element that provides quality educational outcomes for our children.

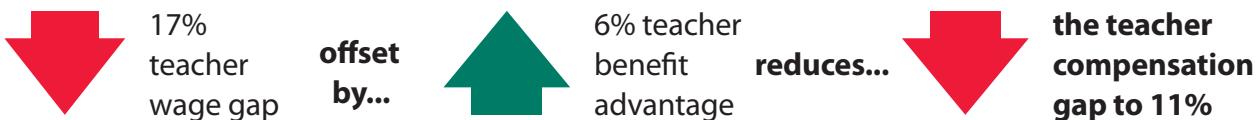
A wide body of academic research on teacher productivity finds that teachers become more effective with experience. These studies demonstrate that experienced teachers have students who achieve at higher levels. In contrast, when experienced, mid-career teachers are replaced by inexperienced teachers, other studies show productivity drops across the school.

DB pensions give schools an effective tool to retain experienced teachers. These benefits provide teachers an incentive to continue delivering quality education to K-12 students.¹ This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college educated workers, widens for more experienced teachers.

There are important policy reasons to continue offering teachers DB pensions. Because pensions help attract and retain workers, Illinois can keep teachers in the classrooms and empower students to achieve their highest potential.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 17 percent pay gap relative to comparable private sector workers in 2015. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 11 percent. In Illinois, teachers experience a 21% wage gap when compared to other college graduates in the workforce.²



Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.



92%

92 percent of Americans say pensions are a good way to recruit and retain qualified teachers.



81%

81 percent of Americans agree that teachers deserve pensions to compensate for lower pay.³

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.⁴

5.2%



Percentage of Illinois teachers who leave education.

985



The number of Illinois teachers retained each year due to the DB pension.

\$4.3B to \$9.4B



The DB system savings in teacher turnover costs in school districts across Illinois.



Illinois TRS serves 159,684 active employees and 115,273 retired members and survivor beneficiaries.



New tier II employees contribute 9% to the fund.



Employers contribute 39.6% to the fund.



The average monthly retirement benefit for members is \$4,141.



TRS has \$47.2 billion in actuarial value of assets and \$71.4 billion in unfunded actuarial accrued liability.⁵

The Economic Impact of Illinois Pensions

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223,182 jobs



paying \$11.7 billion supported by retirees spending from public pensions in Illinois.

\$5.4 billion



in federal, state, and local tax revenues generated by retiree benefits and spending in Illinois.⁶

¹ Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

² Allegretto, S. A. and Mishel, L. 2016. "The Teacher Pay Gap Is Wider than Ever." Washington, DC. Economic Policy Institute.

³ Oakley, D. and Kenneally, K. 2017, Pensions and Retirement Security 2017: A Roadmap for Policy Makers. Washington, DC. NIRS.

⁴ Boivie, I. 2017. "Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement."

⁵ All data, unless otherwise noted, as of fiscal year ended September 30, 2016.

⁶ Brown, J. 2016. "Pensionomics 2016: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.