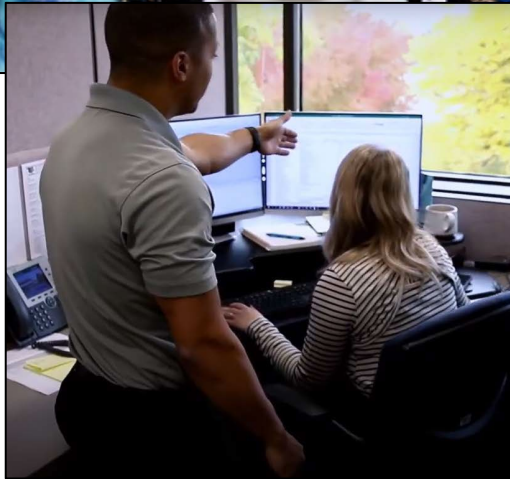




Illinois Association of School Business Officials

May 2023



Teachers' Retirement System of the State of Illinois



Good Morning

TRS Representatives

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Deferred Compensation Manager

Today's Agenda

- Key TRS Stats
- TRS Investments
- State Funding Update
- Gemini System
- Supplemental Savings Plan
- Questions & Discussion

Fiscal Year 2022 Key TRS Stats

➤ **Finances**

- ✓ *Investments - \$63 billion (down 2.1%)*
- ✓ *Revenue - \$6.3 billion (earnings & contributions)*
- ✓ *Benefits Paid - \$7.6 billion (up 3.9%)*
- ✓ *Investment Return – (1.2%) net of fees*

➤ **Long-Term Funded Status**

- ✓ *Total Liability - \$143.5 billion (up 3.3%)*
- ✓ *Unfunded Liability - \$80.6 billion (up 0.9%)*
- ✓ *Funded Ratio – 43.8% (up 1.3%)*

➤ **Membership**

- ✓ *Total – 439,833 (up 1.7%)*
- ✓ *Active – 165,566 (up 4.1%)*
- ✓ *Inactive – 144,801 (down 0.7%)*
- ✓ *Benefit Recipients – 129,466 (up 1.5%)*
- ✓ *Average Pension, all retirees - \$63,276 (up 2.3%)*

➤ **Membership Breakdown**

- ✓ *Active Tier 1 – 103,163 (down 1.8%)*
 - (62.3% all active members)
- ✓ *Active Tier 2 – 62,403 (up 15.6%)*
 - (37.7% of all active members)
- ✓ *Average Age of a Retired Member – 73 years old*
- ✓ *Average Service Credit at Retirement – 27 years*

Source: Fiscal Year 2022 TRS Annual Report

TRS Investment Returns

EDITORIAL

Retirement plans slapped by harsh 2022

Last year was not a memorable one for retirement plan sponsors. At least not in a positive sense. Despite a continuing economic recovery from the COVID-19 pandemic and coming off a prior fiscal year with near-record investment returns, the tables were turned in 2022.

Assets plummeted, with plan assets falling close behind. The *Pensions & Investments*' 1,000 largest retirement plans is littered with asset drops of 15% to 20%. It was the largest percentage in the top 1,000 since *P&I* began publishing the list in the 1980s. Nearly \$2 trillion in assets was wiped out in 12 months of that is timing, as *P&I*'s report reflects data as of Sept. 30. Markets have had a little bit of a bounce back since then. But the reality is that in a year in which equity and bond markets tumbled, it became clear which retirement plans were more resilient for a high inflationary environment. Alternatives provided investment returns as plans were rewarded for higher allocations to areas such as real estate, private equity and private credit.

What looked rosy a year ago when assets in the top 1,000 were up 16.9%, but *P&I* cautioned in these pages that concerns about higher interest rates and overheated private markets could be major headwinds. Inflation and rising rates have

been a constant the past year, but private market valuations have mostly held up ... for now. That will certainly be put to the test this year as the U.S. and much of the world stare down a possible

Berkshire Hathaway Reports Major Losses Last Year, but Buffett Points to the Long Game

By MICHAEL J. de la MERCED

Not even Warren E. Buffett, one of the world's most successful investors, was immune last year to whipsawing markets.

But as his conglomerate, Berkshire Hathaway, reported a big loss, the billionaire executive urged shareholders to focus on the long term and the underlying health of his empire, which includes insurance, railroads, energy and stock holdings in the likes of Coca-Cola, American Express and more.

Berkshire reported on Saturday that it lost \$22.8 billion last year, driven by \$53.6 billion in unrealized losses on its investments.

That mirrored the experience of other investors, who were hit by market volatility as inflation rose swiftly and central banks responded by rapidly raising inter-

est rates.

But in his annual letter to shareholders, Mr. Buffett pointed to the company's operating earnings, which are drawn from its underlying businesses and exclude those paper investment values. On that basis, Berkshire earned a record \$39.8 billion last year.

And its holdings of cash and equivalents have grown to \$125 billion, giving Mr. Buffett more firepower to invest in stocks and, potentially, buy new companies.

Factoring Berkshire's investment performance into its overall returns is "100 percent misleading," Mr. Buffett wrote, since those results are likely to change easily quarter to quarter.

Berkshire's vast business empire is often seen as a microcosm of American industry. And many of its subsidiaries reported being hurt by the broader economic

forces affecting the country.

Weaknesses included Berkshire's consumer products businesses, which reported a 23 percent drop in earnings last year from 2021, hurt by lower demand and higher costs for raw materials and shipping. In its annual report, Berkshire said that it expected continued soft demand in 2023 and that it planned to "right size" its operations and reduce product inventories.

The conglomerate's core insurance businesses, which generate the cash that powers Mr. Buffett's vast investments, also reported underwriting losses from catastrophic events, like hurricanes, and a rise in auto claims at Geico. And BNSF Railway reported a slight drop in earnings, in large part because of the rising cost of fuel and lower volumes of shipments.

Still, in his annual letter to shareholders — a must read for scores of investors, eager to glean his thoughts on the global state of affairs — Mr. Buffett professed continued faith in the resilience of

America.

Much of the letter was spent defending Berkshire's practices.

That included share buybacks, on which the company spent \$7.9 billion last year. The practice has drawn criticism from lawmakers, including Senator Elizabeth Warren, Democrat of Massachusetts, who argue that it diverts money to Wall Street investors instead of to employee pay raises or new investments.

"When you are told that all purchases are harmful to shareholders or to the country, or particularly beneficial to C.E.O.s, you are listening to either an economic illiterate or a silver-tongued demagogue (characters that are not mutually exclusive)," Mr. Buffett wrote.

He also defended Berkshire's federal tax bill, amid ongoing criticism that he himself pays little in taxes relative to his overall wealth, which Forbes estimates at \$106 billion. In his letter, Mr. Buffett said that Berkshire had paid \$32 billion in federal taxes over the past decade, representing a tenth of 1 percent of all taxes that the government collected during that time.

"Had there been roughly 1,000 taxpayers in the U.S. matching Berkshire's payments, no other businesses nor any of the country's 131 million households would have needed to pay any taxes to the federal government," he wrote. "Not a dime."

Mr. Buffett added a criticism of the federal government for spending significantly more than it collects in taxes, touching on a fight now bubbling in Washington over the debt ceiling. "Huge and entrenched fiscal deficits have consequences," he wrote.

Pensions & Investments

THE INTERNATIONAL NEWSPAPER OF MONEY MANAGEMENT FEBRUARY 13, 2023 PIONLINE.COM \$50 AN ISSUE / \$350 A YEAR

THE P&I 1000

Historic year puts plans on notice

1,000 largest U.S. retirement plans experienced record asset losses as equity, bond markets plunged

By ROB KOZLOWSKI

U.S. retirement plans could not escape historically negative equity and fixed-income markets during the year ended Sept. 30 and posted the highest percentage asset losses in nearly half a century of *Pensions & Investments*' annual surveys.

In the year ended Sept. 30, the 1,000 largest U.S. retirement funds saw their assets plummet to \$12.16 trillion, a record-setting 13.9% loss from a year earlier when the universe had reached an all-time high of \$14.13 trillion.

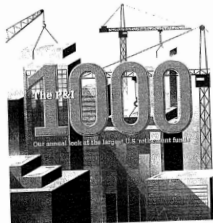
That previous high was the result of a banner year of spectacularly strong returns in public and private equity and other alternative investment strategies, along with higher

contributions to defined benefit and defined contribution plans.

The most recent year, however, represented nearly a direct opposite of the prior year's euphoria, with every public equity and fixed-income asset class seeing significant losses. Perhaps most remarkably, defined contribution plan assets fell 14.5% to \$4.73 trillion vs. the 13.6% decline of defined benefit plan assets to \$7.43 trillion, a stark reversal of a decade-long trend that has seen DC plans outpace DB growth in part due to 401(k)s emerging as the primary corporate retirement plan.

For the year ended Sept. 30, the Russell 3000 index and Bloomberg U.S. Aggregate Bond index returned -17.6% and -14.6%, respectively.

SEE P&I 1000 ON PAGE 50



In this issue:

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Our take on a bad year: Page 10

Data and graphics begin on Page 16

For the full report, go to pionline.com/sponsors23

Money Management

THE P&I 1000 ALTERNATIVES

➤ TRS investment return in FY 2022: -1.2%

➤ Median FY 2022 return for all public pension systems: -9.3%

TRS Investment Returns

Total Portfolio Results

<u>Time Period</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
	<i>Fiscal Year</i>	<i>Fiscal Year</i>	<i>Fiscal Year</i>
1 Year	+ 0.6%	+ 25.5%	-1.2%
3 Years	+ 4.7%	+ 9.9%	+7.6%
5 Years	+ 5.2%	+ 10.1%	+7.3%
10 Years	+ 8.3%	+ 8.4%	+8.2%
40 Years	+ 9.0%	+ 9.5%	+9.3%



- TRS always focuses on long-term results more than on any one year because the System must be financially secure for *all members*, whether they're 85, 65, 45 or 25.
- The current TRS assumed *long-term* rate of return is 7%.

TRS Funding Update

Actuarial Funding vs. Actual State Funding

➤ **FY 2022**

Actuarial Payment	\$8.9 billion	Normal Cost	\$1.2 billion
Actual Statutory Payment	\$5.7 billion	Interest on the Debt	\$4.6 billion

➤ **FY 2023**

Actuarial Payment	\$9.1 billion	Normal Cost	\$1.2 billion
Actual Statutory Payment	\$5.9 billion	Interest on the Debt	\$4.8 billion

➤ **FY 2024**

Actuarial Payment	\$9.6 billion	Normal Cost	\$1.3 billion
TRS Certified Statutory Payment	\$6.0 billion	Interest on the Debt	\$4.9 billion

➤ *Every \$1 not paid to TRS now requires \$3 in the future to make up for the lost earnings.*

Source: TRS actuarial valuation reports

Gov. Pritzker's "Extra" Pension Funding

Stable State Contributions Help Move Funded Ratio in the Right Direction

- **The Governor's FY 2024 budget commits \$200 million *more* in funding to state pension systems than required by law**
- **This is the third fiscal year in a row that total pension funding will total more than the statutory requirement**
- **Total state pension funding to TRS will exceed \$18 billion in FY 2022, 2023 & 2024**
- **After five years of hovering at 40%, the TRS Funded Ratio is inching up**
 - ✓ ***FY 2020 – 40.5%***
 - ✓ ***FY 2021 – 42.5%***
 - ✓ ***FY 2022 – 43.8%***
 - ✓ ***FY 2023 – 44.9%*** (projected)
 - ✓ ***FY 2024 – 46.1%*** (projected)



Source: Illinois State Budget – Fiscal Year 2023 and Fiscal Year 2024

TRS GEMINI

Gemini Pay Period Reporting



- Formally introduced in the Summer of 2021.
- Used to capture service and earning information on a pay period basis.
 - ✓ *Pay period reporting is required to gather information to comply with the rules and requirements associated with the TRS Supplemental Savings Program (SSP).*
- Since its introduction, numerous enhancements have been implemented.

Gemini Statistics



FY 2021-22

- Approximately 50% of Employers were using Gemini, for pay period reporting, and were considered “caught-up”.

FY 2022-23

- More than 99% of all eligible Employers have used Gemini.
 - ✓ *Approximately 95% of Employers are either caught-up or close to being caught-up.*

Gemini Annual Certification



- In addition to pay period reporting, the information reported via Gemini is used to complete the Annual Certification process.

FY 2021-22

- Of those Employers who were caught-up, many were able to use that data to complete their annual certification.

FY 2022-23

- Expectations: With most employers being caught up, we anticipate a cleaner process by being able to use the data obtained from each Employers pay period reports.

Gemini Employer Assistance



- Reminder: Each Thursday at 9:00 am, TRS Employer Services offers an open forum (via Zoom).
- All Employers are encouraged, but not required to participate. This forum provides a space to learn, ask questions, and share suggestions.
- We sincerely appreciate you and the efforts of your staff.
- The Employer Services team can be reached at: employers@trsill.org or 888-678-3675 option 1.



The TRS Supplemental Savings Plan



- **TRS implemented the SSP in 2022**
- **More than 1,400 participants, more than \$5.7 million in assets**
- **The SSP is a 457 (b) retirement savings account that:**
 - ✓ *Is optional for eligible TRS members*
 - ✓ *Is designed to supplement a member's TRS pension – not replace it*
 - ✓ *Offer both pre-tax or Roth savings options*
 - ✓ *Allows members to choose deferral amounts and make investment choices*
 - ✓ *Offers a competitive, cost-effective plan with a diverse investment array*
- **New, eligible TRS members hired after January 1, 2023 are automatically enrolled, as required by state law, but can opt out if they wish**
- **So far since January, 250 members have been auto-enrolled**

SSP Active Member Eligibility & Participation



These TRS members are eligible for the SSP:

- *All full-time and part-time contractual employees*

These TRS members can participate in the SSP:

- All full-time and part-time contractual employees *whose employers have formally adopted the SSP*

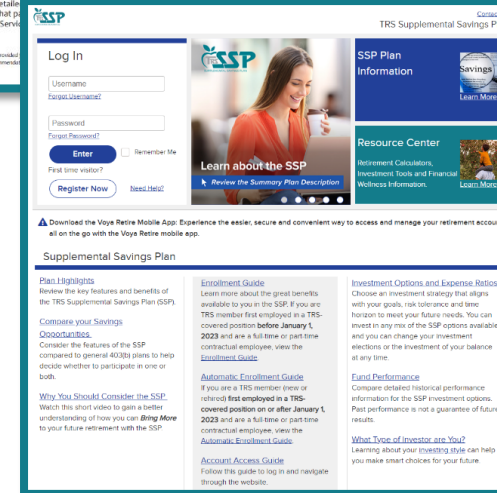
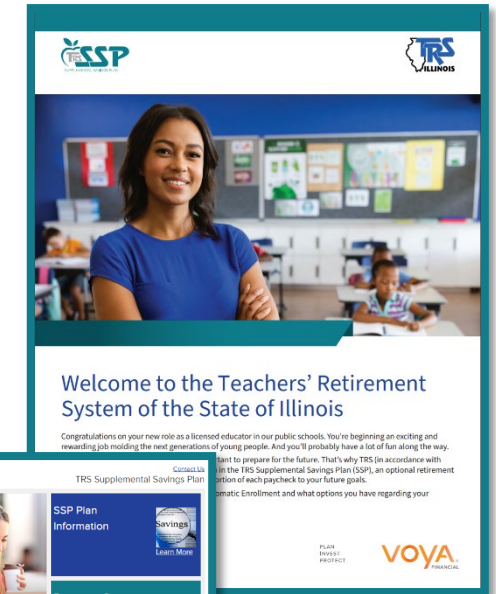
These TRS members are *ineligible* for the SSP:

- *Substitutes, part-time non-contractual (hourly), extra duty only*
- *Retired and inactive members*

The SSP Member Experience



- Employers are encouraged to provide new FT or PT contractual TRS members the [TRS Benefits – New Hire Flyer](#) and [SSP Plan Highlights](#) to let new employees know about the Plan and what to expect.
- Voya will mail information to the employee's home address providing detailed information about the employee's specific SSP enrollment options.
- These documents and more, including enrollment guides, investment information and financial wellness tools and resources are available without logging in at trsilssp.voya.com.

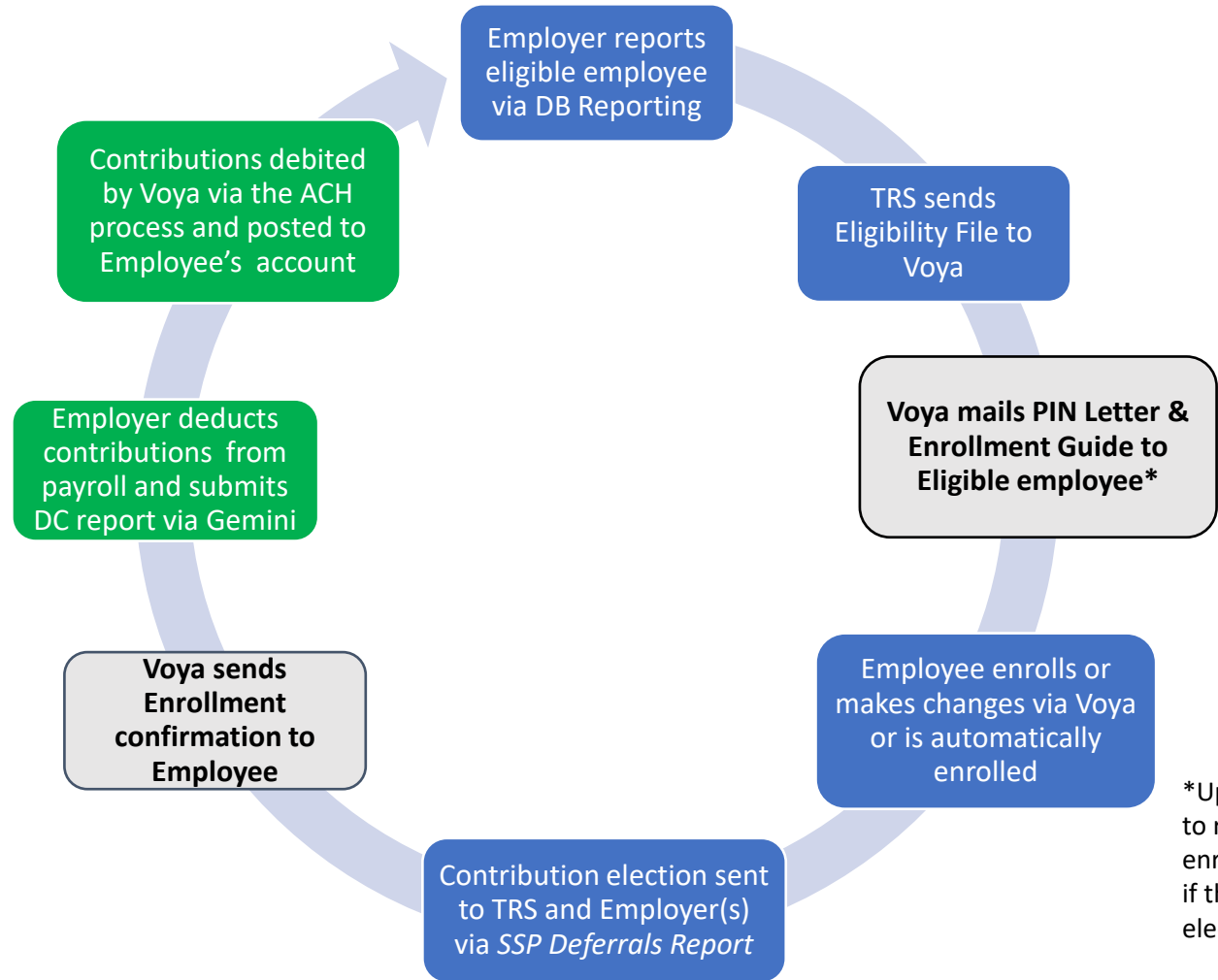


The Employer's Role & Status in the SSP



- Timely and accurately report active members' employment information via Defined Benefit (DB) reporting to TRS in Gemini.
- Timely and accurately process and remit SSP contributions in accordance with TRS guidance.
- Monitor SSP participants' 457(b) plan contributions for all 457(b) plans maintained by the Employer.
- **To Date:**
- 436 Employers have submitted over 6700 Defined Contribution (DC) reports in Gemini.
- Over 500 Employers have not submitted a DC report in Gemini and/or do not have an active member enrolled in the SSP.

The TRS SSP Process



*Upon initial eligibility; Notice and PIN reminder sent to rehires. Employees identified for automatic enrollment also receive a 15-day reminder in the mail if they have not already opted out or made another election.



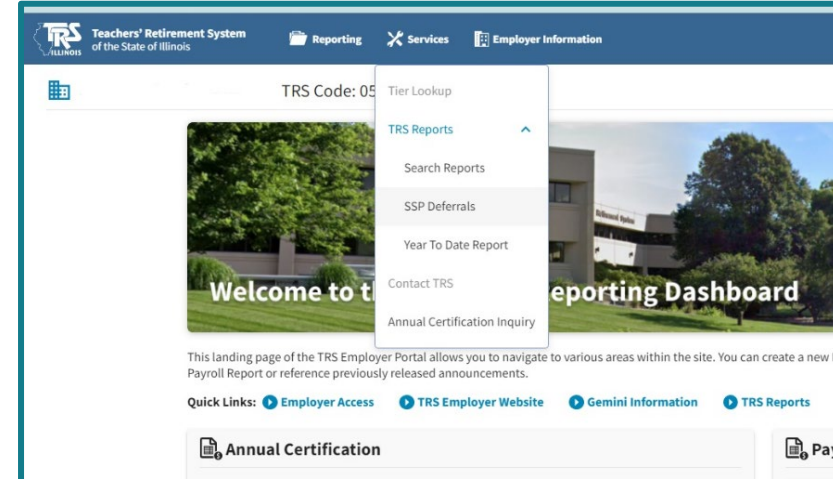
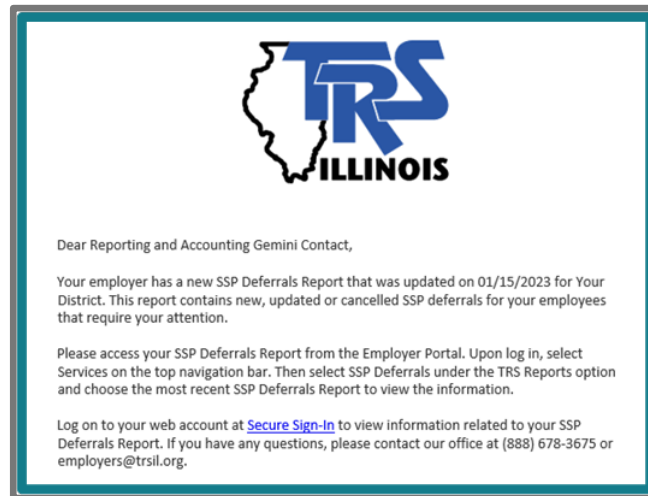
The TRS Deferrals Report



- The *SSP Deferrals Report* reflects all SSP enrollments, changes and cancellations.
- An email is sent when a new *SSP Deferrals Report* generates.

From: TRS Gemini Messenger (TRSGeminiMessenger@trsil.org)
To: Reporting and Accounting Gemini Contacts
Subject: ATTENTION: Your District Has a New SSP Deferrals Report Updated XX/XX/20XX

- The report is in the Gemini Employer Portal under *TRS Reports*.



The TRS Deferrals Report



- Process deferrals according to the most recent SSP Deferrals Report, on the first pay period with a begin date on or after the Contribution Effective Date as indicated on the Report.
- Do not process new deferrals, changes or cancellations until reported via the *SSP Deferrals Report*.

TRSSSP		Supplemental Savings Plan Deferrals Report as of 04/21/2023					
Use this report to set up new or changed deferrals and to confirm existing deferrals from your payroll for the TRS Supplemental Savings Plan.							
055-XXXX	School District						
Legend							
Contribution Category	Contribution Category Description						
03	SSP Pretax						
04	SSP Pretax Catch-Up						
05	SSP Pretax Special Catch-Up						
06	SSP Roth						
07	SSP Roth Catch-up						
08	SSP Roth Special Catch-up						
09	SSP Pretax Employer Matching						
10	SSP Pretax Employer Non-Elective						
Changes to Deferrals							
Last 4 SSN	Name	Date of Birth	Contribution Effective Date	Contribution Category	Current Contribution	New Contribution	Auto Enrolled
	Bateman, Jason R	02/12/19XX	05/01/2023	03	\$75.00	\$90.00	
New Deferrals							
Last 4 SSN	Name	Date of Birth	Contribution Effective Date	Contribution Category	Contribution		Auto Enrolled
	McCarthy, Melissa A	12/22/19XX	05/01/2023	03		10 %	
	Rabbit, Jessica M	12/02/19XX	04/01/2023	03		7 %	Yes
4/21/2023 2:01:45 AM		Page 1 of 3			SSPDeferrals		

Contribution Amounts are per pay deferrals:

- Flat dollar amounts should be deducted from each scheduled pay period.
- Percentage deferrals should be deducted from each paycheck (including stipends and extra pays).

SSP deferrals should be reported **as soon as administratively possible** after being withheld from payroll, in accordance with 457(b) and [SSP Plan](#) rules.



SSP Reporting and Payments



- **TRS SSP Reporting and Payments are completed in Gemini.**
 - ✓ Refer to the [Supplemental Savings Plan Employer Reporting File Format \(Version 2.10\)](#).
 - ✓ You can submit multiple DB and DC (SSP) reports each day.
 - ✓ We recommend uploading a separate file for SSP deferrals.

- **Reporting Training and Resources on the TRS Employer's Website.**
 - ✓ [SSP Automatic Enrollment Training](#)
 - ✓ [Employer SSP Reporting Training, August 2022](#)
 - ✓ [Defined Contribution Reporting – File Upload Process – SSP](#)
 - ✓ [Defined Contribution Reporting – Replication Process – SSP](#)

- SSP deferrals are withdrawn from the account in Gemini via ACH pull. **The ACH Company ID for the TRS SSP is 5555587807.** Provide this to your financial institution.

SSP Automatic Enrollment Overview



Provision	Eligible Automatic Contribution Arrangement (EACA)
General Description	Eligible members of participating employers are automatically enrolled into the plan. but are given 30 days to make their own election, including to opt-out, before their Automatic Enrollment Effective Date.
Eligible Members	Full-time or part-time contractual members <u>first employed in a TRS-covered position on or after January 1, 2023</u> , and employed by an employer who has adopted the SSP.
Contribution Rate	3% of pre-tax compensation
Investment of Automatic Contributions	Using the member's date of birth, the age-appropriate Target Date Fund is the default investment. Contributions remain invested in Target Date Fund until the member provides investment direction.
Ability to Opt Out of Automatic Enrollment	The member has 30 days to opt out before their Automatic Enrollment Effective Date. Contributions are effective the first of the month following the Automatic Enrollment Effective Date. Once initiated, members may elect to stop contributions at any time.
Participant Withdrawal of Automatic Contributions	If automatically enrolled, the member may request to have contributions returned. The request must be made within 90 days of the first contribution.
Notice Required	Yes
Timing of Notice	Initial & Annual Notice requirement

Local Voya Education Representatives



To schedule an individual virtual appointment:
trssp457b.timetap.com

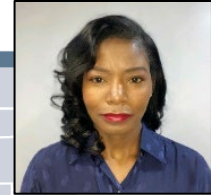
TRS SSP Participant Website
trsilssp.voya.com

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Stacey.Russell@voyacom



Eastern Illinois

Terri Bailey

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SSP Important Resources

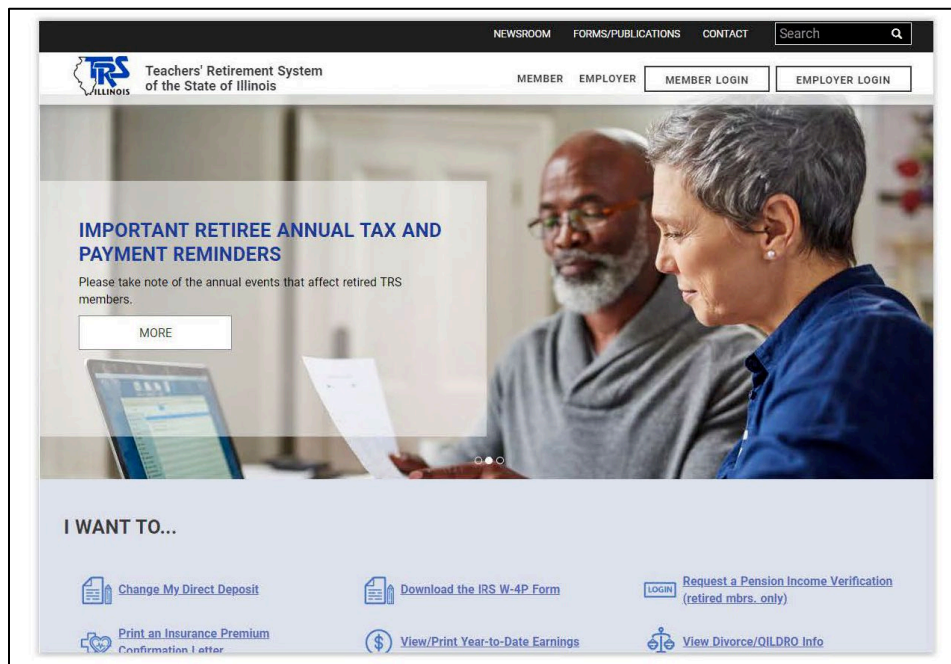


- **Voya TRS SSP participant resources:**
 - ✓ TRS SSP Portal: trsilssp.voya.com
 - ✓ TRS SSP Service Center: **844-877-4572 (844-TRS-457B)**
 - Voya Customer Service Associates are available **Monday through Friday, 7 a.m. to 7 p.m. CT**, except for stock market holidays.
- **Member communications and FAQs:**
 - ✓ <https://www.trsil.org/Supplemental-Savings-Plan>
 - ✓ <https://www.trsil.org/member-SSP-FAQs>
- **Employer communications, training and FAQs:**
 - ✓ SSP: <https://www.trsil.org/employers/Supplemental-Savings-Plan>
 - ✓ Gemini: <https://www.trsil.org/employers/Gemini/Resources>
- **Employer Reporting:**
 - ✓ employers@trsil.org
- **SSP Payments:**
 - ✓ SSPAccounting@trsil.org

Thank You!



Contact TRS



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YouTube: @trsillinois

Member Services

To speak to a TRS representative, or to schedule a telephone, in-office or virtual counseling session:

(877) 927-5877

8:30 a.m. to 4:30 p.m. – Monday-Friday

members@trsil.org

Employer Services:

(888) 678-3675

employers@trsil.org

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