



Bob Lyons' TRS Report

You likely are aware that many young people do not figure that Social Security will be there for them when they are ready to retire. The experts say that they are wrong. Congress will reform Social Security, likely by covering a larger percentage, possibly 100%, of the income that people earn. Currently Social Security payments are only taken out of the first \$160,200 that a person makes. Billionaires like Bill Gates, Warren Buffet, or Elon Musk, have made that much sometime early on the First of January. Means testing Social Security will likely be another part of such a reform. Currently \$1,827 is the average monthly social security check, which comes to less than \$22,000 a year. The maximum benefit depends on the age you retire. For example, if you retire at full retirement age (65 in 2023), your maximum benefit would be \$3,627. However, if you retire at age 70 in 2023, your maximum benefit would be \$4,555. The most that anyone can make from Social Security is \$54,660 and that would require you not only to have had a good income, but to also work longer.



In 1935 when Federal Social Security was founded the State of Illinois was one of fifteen states that made the decision to have government workers, including teachers, go with their own separate pension systems. I think it's fair to say, that has been to our

advantage, though those of you that had a spouse, who was not a teacher or government worker, are penalized by only receiving one third of their Social Security when they pass on. That is certainly unfair, but is unlikely to be reformed.

There are five state pension funds that receive contributions from the State of Illinois. The largest of the five is the Teachers' Retirement System (TRS). The state universities and junior colleges make up the State University Retirement System (SURS). All of the state workers are part of the State Employees Retirement System (SERS), state judges belong to the Judges Retirement System (JRS), and state legislators belong to the General Assembly Retirement system (GARS). None of the five systems are anywhere close to full funding. At the height of the dot.com bubble TRS was just over 60% funded.

At the start of this fiscal year on July 1, 2022, the funding for each of the five state funds and the Chicago Teachers' Pension Funds as follows: TRS 43.8%, SURS 45.2%, SERS 44.0%, JRS 44.3%, GARS 22.0% and CTPF 44.1%. As a side note, some of you may recall that in the late 90's the Chicago Teachers' Pension Fund was more than 100% funded. Then young Mayor Daley argued that it should no longer be necessary for the city to continue to make annual payments to the fund. So the state gave them permission to discontinue the funding. The dot.com bubble then burst and the fund rapidly declined. The Chicago Teachers' Pension Board also often makes investment decisions based on political and social criteria rather than strictly economics. Regardless of the under-funding, all of the pension funds have always been able to make their monthly payments to their members.

The state's contribution for FY 2023 was \$10.98 billion and our fund received \$5.89 billion. This year TRS will pay close to \$8 billion in benefits to 128,000 retirees, survivors, and disabled teachers. We have just over 158,000 active teachers that contribute 9% of their annual salary to our fund. The percentage of Tier II active teachers continues to grow each year, but recall that they contribute the same 9% that Tier I teachers do, though their pensions will be significantly smaller.

May 9 will be the 8th anniversary of the unanimous Illinois Supreme Court decision that found the state's attempt to diminish our pensions was unconstitutional. That suit was lead by the Illinois Teachers' Retirement Association, though the IEA and IFT joined in the action.

It was our lawyer that made the arguments that would win the case. And today we have an active suit before the courts to protect our health care. You have good reasons to be a part of the IRTA.