

Overview

The State Employees' Retirement System of Illinois (SERS) was established in 1944 to provide pension benefits for Illinois state employees, as well as widows and survivors. The system provides a defined benefit (DB) pension for its 62,732 active employees, and 47,002 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Social Security members contribute 4% of salary to SERS.
- Employers contribute 32.3% to the fund.
- Each dollar invested by Illinois taxpayers in SERS supported \$5.39 in total economic activity in the state.



Key Illinois SERS Data¹

The chart below summarizes the key SERS data, as of June 30, 2012:

Total active employees	62,732
Total retired members	50,000
Average annual retirement benefit	\$28,600 for Social Security members \$37,198 for non-Social Security members
Employer contribution rate	32.3%
Employee contribution rate	4.0% for Social Security members; 8.0% for non-Social Security members
Actuarial value of assets	\$11.5 billion
Funded ratio	34.7%
Unfunded actuarial accrued liability	\$21.6 billion

The Economic Impact of Illinois Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Illinois communities and the state economy. Within the state of Illinois, 2012 expenditures stemming from state and local pensions supported:

- 164,871 jobs that paid \$8.6 billion in wages and salaries
- \$25.3 billion in total economic output
- \$3.6 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.80 in total economic activity in Illinois.

Each dollar “invested” by Illinois taxpayers in these plans supported \$5.39 in total economic activity in the state.

¹ All data, unless otherwise noted, as of June 30, 2011.

² Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **State Employees' Retirement System of Illinois (SERS)**. SERS provides retirement benefits for state employees. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$5.39 The total economic activity in Illinois for each dollar invested by Illinois taxpayers in SERS.

\$25.3 billion Total economic output in Illinois created in 2012 when public sector retirees spent their pension income.

\$3.6 billion Federal, state and local tax revenues generated by spending of Illinois public pension income.

164,871 Jobs created from pension income spending by Illinois state and local government retirees.

62,732 Total active members of SERS.

\$28,600 Average annual pension benefit for a SERS retiree.

4.0 Percentage of salary that Social Security covered SERS employees contribute from every pay-check to their pension benefit to share the funding responsibility.

5.0 Median employee contribution rate nationally.

50.1 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a Social Security covered employee with 30 years of service.

80 Percentage of pre-retirement income from all income sources that is considered adequate for a secure retirement.

All data come from either the State Employees' Retirement System of Illinois or the National Institute on Retirement Security.



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Overview

The Teachers' Retirement System of the State of Illinois (TRS) was established in 1939 to provide retirement, disability, and death benefits to teachers employed by Illinois public elementary and secondary schools outside the city of Chicago. The system currently provides defined benefit (DB) pension benefits for its 162,217 active public school employees and 105,447 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 9.4% of salary to TRS.
- Employers contribute 25.49% of salary to the fund.
- Each dollar invested by Illinois taxpayers in TRS supported \$5.39 in total economic activity in the state.



▶ Key Illinois TRS Data¹

The chart below summarizes the key TRS data, as of June 30, 2012:

Total active employees	162,217
Total retiree, disability, and survivor beneficiaries	105,447
Average annual retirement allowance	\$45,347
Employer contribution rate	25.49%
Employee contribution rate**	9.4%
Actuarial value of assets	\$37.9 billion
Funded ratio	42.1%
Unfunded actuarial accrued liability	\$52.1 billion

▶ The Economic Impact of Illinois Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Illinois communities and the state economy. Within the state of Illinois, 2012 expenditures stemming from state and local pensions supported:

- 164,871 jobs that paid \$8.6 billion in wages and salaries
- \$25.3 billion in total economic output
- \$3.6 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.80 in total economic activity in Illinois.

Each dollar “invested” by Illinois taxpayers in these plans supported \$5.39 in total economic activity in the state.



¹ All data, unless otherwise noted, as of fiscal year ended June 30, 2012.

² Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Teachers' Retirement System of the State of Illinois (TRS)**. TRS provides retirement benefits for public school employees in Illinois. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$5.39 The total economic activity in Illinois for each dollar invested by Illinois taxpayers in TRS.

\$25.3 billion Total economic output in Illinois created in 2012 when public sector retirees spent their pension income.

\$3.6 billion Federal, state and local tax revenues generated by spending of Illinois public pension income.

164,871 Jobs created from pension income spending by Illinois state and local government retirees.

9.4 Percentage of salary that employees contribute from every pay-check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

162,217 Total active members of TRS.

\$45,347 Average annual pension income for a TRS retiree.

66 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee hired after 1998 with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement. TRS members do not participate in Social Security.

717 The number of teachers retained each year solely due to the defined benefit (DB) plan.

\$10 million Teacher turnover cost savings generated by the retention effect of the defined benefit (DB) pension.

All data come from either TRS or the National Institute on Retirement Security.



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As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."¹

Key Facts

- Employees contribute 9.4% of salary out of each paycheck to the pension fund.
- The average retirement benefit is 45,347 per year, or \$3,779 per month.
- TRS covers 162,217 active school employees and 105,447 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The TRS pension replaces 66% of pre-retirement income for a teacher hired since 1998 with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement. **TRS members do not participate in Social Security.**

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.²

All public school teachers employed by Illinois public elementary and secondary schools outside the city of Chicago participate in the Teachers' Retirement System of the State of Illinois (TRS).

TRS covers 162,217 active public school employees in Illinois, and 105,447 retired school employees and beneficiaries. Employees contribute 9.4% out of each of their paychecks to the pension fund. The average retirement benefit is \$45,347 per year, or \$3,779 per month.

The TRS pension replaces 66% of pre-retirement income for a teacher hired since 1998 with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement. **TRS members do not participate in Social Security.**

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.³ More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.⁴ Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.⁵

▶ Pensions Help Retain Quality Teachers in Illinois⁶

Better teachers are experienced 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.

In Illinois:

- The cost of turnover in Illinois is \$13,946 per teacher.
- 717 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved \$10.0 million in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: AARP's *Educator Community* is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.



^{1, 2} Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

³ Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

⁴ Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

⁵ Oakley, D., and K. Kenneally. 2013. *Pensions and Retirement Security 2013: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

⁶ Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.