

Retirement and Pension Issues Impacting D207 TRS Members

Presentation to D207 Certified Staff Members

October 5, 2016

What does the D207 retirement picture look like for the years ahead?

- ▶ June 2017 Retirees = 13 teachers
- ▶ June 2018 Retirees = 8 teachers and 3 administrators
- ▶ June 2019 Retirees = 14 teachers
- ▶ June 2020 Retirees = 13 teachers and 4 administrators

- ▶ Potential Retirees June 2021 through June 2025 = 51 teachers will be eligible to retire during this period.

- ▶ All of these retirees will prompt a warning announcement over the PA system each year.....



“Have a great summer and please do not throw your books in the air or run through the halls -- wait until the students have left the building.”

However.....retirement is not all it's
cracked up to be.....



Search: 33231443

"Oh, retirement is all right, I guess, but I miss looking forward to the weekends."

PENSION REFORM in Springfield

- ▶ IL Supreme Court decision (May 2015): *“The circuit court was therefore correct when it concluded that Public Act 98-599 (SB 1) is void and unenforceable in its entirety.”*
- ▶ Rauner’s plan and others are on “hold” until after the election;
- ▶ Possibly a quick fix during the lame duck session;
- ▶ Will there be a “grandfathering” provision for active collective bargaining agreements? (If so, D207 teachers are protected through 2020.)
- ▶ The most protected TRS members are the ones currently receiving retirement benefits.

Early Retirement Option (ERO) Sunsets

- ▶ IL General Assembly did not renew ERO and allowed it to sunset;
- ▶ ERO is no longer a valid retirement option for TRS members;
- ▶ Since 2005, 0.4% of TRS members' creditable earnings went to fund ERO;
- ▶ Traditionally, ERO refunds were given to members at retirement IF they did not retire under the ERO provision (i.e., after 35 years or after age 60);
- ▶ Cumulative ERO payments must now be "refunded" to 200K active TRS members;
- ▶ More details will be provided in December with payments in Jan-Feb;
- ▶ TRS members will be given three options: 1) Take the refund at retirement; 2) Take the refund as cash; or 3) Have the refund deposited in a 403.b, 457 or IRA plan.
- ▶ **CAUTION: TRS members under age 59.5 will have a 10% early withdrawal penalty;**
- ▶ **CAUTION: All TRS members taking the payment in cash will have 20% Federal tax withholding;**
- ▶ **OPTION: Have your refund deposited in a tax-sheltered account (403.b, 457, IRA).**

Calculating Your ERO Refund

- Multiply 0.004 by your creditable earnings for every year beginning with 2005-06 through 2015-16 then sum up all those yearly contributions.

School Year	Creditable Earnings	ERO Factor	Refund for School Year
05-06	\$75,000.00	0.004	\$300.00
06-07	\$78,000.00	0.004	\$312.00
07-08	\$81,120.00	0.004	\$324.48
08-09	\$84,364.80	0.004	\$337.46
09-10	\$87,739.39	0.004	\$350.96
10-11	\$91,248.97	0.004	\$365.00
11-12	\$94,898.93	0.004	\$379.60
12-13	\$98,694.88	0.004	\$394.78
13-14	\$102,642.68	0.004	\$410.57
14-15	\$106,748.39	0.004	\$426.99
15-16	\$111,018.32	0.004	\$444.07
		TOTAL Pre-Tax ERO REFUND = \$4,045.91	
		AFTER TAX REFUND = \$3,236.73	

TRS Member Account Creation

If you have not created a TRS Member Account, it is a good idea to do so for easy access to creditable earnings and ERO refund announcements.

- ▶ <https://trs.illinois.gov/subsections/secureaccountaccess/security/signin.aspx>
- ▶ Select “New User” and follow the steps to create your free account.

D207 Retirement Incentives (for retirees through 2020*)

Eligible staff members who give a 5-year advanced notice of retirement will:

- 1) Receive a retirement incentive pot up to \$34,000;
- 2) Receive 170 sick days for the purposes of earning 1 year of service credit;
- 3) Receive \$50K in term life insurance for 5 years after retirement;
- 4) Be allowed to stay on D207 insurance until age 65 paying full premiums;
or...
- 5) Be reimbursed up to \$3500 per year (until age 65) to cover your “added” insurance expense for jumping on a spouse’s plan or taking TRIP coverage.

** Retirement incentives are subject to bargaining and may or may not be included in a successor agreement.*

How Does the \$34,000 Work?

- ▶ A teacher is paid an “additional” sum of money at the end of the school year to ensure that the teacher’s creditable earnings are 6% higher than the previous year.
- ▶ The sum of money needed to ensure the 6% increase is “deducted” from the teacher’s pot of \$34,000.
- ▶ The above process takes place during a teacher’s final FOUR years or until the \$34,000 has been all paid out.
- ▶ Teachers with high salaries who do not earn additional sums of money during their final four years will “use up” their \$34K after just 2-3 years.
- ▶ Teachers who earn more money on their own will “stretch” their pot of \$34K farther to possibly achieve four years of a 6% increase. Any money still remaining in one’s incentive pot after 4 years will be paid out on July 31st immediately following retirement.

How the Incentive Payments Work

Years From Retirement	Salary Earned by Employee	Additional Salary Needed for 6% Increase	TOTAL Creditable Earnings Reported to TRS	Incentive Pot \$ Remaining	Year Over Year % Increase
5th Yr Away	\$120,000	NA	\$120,000	\$34,000	NA
4th Yr Away	\$121,800	\$5,388	\$127,188	\$28,612	6%
3rd Yr Away	\$123,750	\$11,057	\$134,807	\$17,555	6%
2nd Yr Away	\$125,606	\$17,275	\$142,881	\$280	6%
Final Year	\$127,490	\$280 *	\$127,770	\$0	0%
		FINAL AVERAGE SALARY=	\$133,162		

** The remaining sum of money in the incentive pot is exhausted before a fourth consecutive 6% payment could be made.*

Can I Earn Too Much Money?

YES !!!

Any teacher who earns MORE than 106% of their previous year earnings will have their incentive pot reduced using the formula in the Agreement.

The incentive reduction formula is ONLY used if the 6% standard is exceeded during any of one's final four years.

Earning over 6% in any year other than during one of your final four years of service is fine and will NOT cause an incentive pot reduction.

What if I give less than a 5-year notice?

- ▶ Ineligible for the 170 additional sick days;
- ▶ Still receive \$34K incentive pot, but the money will be distributed only over the number of years you have remaining before retirement.
- ▶ Any money remaining from your incentive pot of \$34K will be paid out (non-creditable earnings) on July 31st after you retire.

What if I was eligible to retire a year or more ago and chose to continue working?

- ▶ Congratulations! You get to keep working in D207 for your full salary!
- ▶ There are no incentives for staff who elected to keep working after becoming eligible to retire (either 35 years of service or age 60).

Stuck in Retirement Limbo !!

Staff members who are eligible to retire in 2021, 2022, 2023 and 2024 are stuck in retirement “limbo” until a Successor Agreement* can be reached between the BOE and MTA.

- ▶ Approximately 51 current staff members will be in retirement limbo regarding the 170 sick day provision IF the Successor Agreement is LESS than a 5-year Agreement.
- ▶ This means approximately 51 staff members must continue to work in D207 for an “additional” school year in order to receive the same annuity percentage.
- ▶ i.e., 34 years teaching plus only one year of sick leave versus 33 years teaching plus TWO years of sick leave (170 days from member and 170 days from BOE).

** Assuming the Successor Agreement contains a retirement incentive.*

Questions

- ▶ Send your questions to Greg Dietz and he will compile them into an FAQ with responses to be shared with staff.