

## SERS Tax Information

The Office of the Comptroller mailed IRS Form 1099R for 2004 SERS benefit payments. This benefit is subject to federal income tax, but not state income tax. These payments must be reported on IRS Form 1040 under "Pensions and Annuities."

### 1099R Reporting

- Gross distribution in **Box 1** is the total benefit amount you received from SERS during the last calendar year.
- The taxable amount of your SERS benefit is shown in **Box 2A**. This is the benefit amount subject to federal income tax.
- The amount of federal income tax withheld is shown in **Box 4**. This is the amount of federal withholding deducted from your benefit based on your W4-P on file with SERS.
- Employee contribution is shown in **Box 5**. This is the nontaxable portion of your benefit for the calendar year.
- Total employee contributions is shown in **Box 9B**. This is only provided in your first year of retirement. It represents the contributions paid by you, or for you, during your employment. As these contributions are recovered by you through your annual SERS benefits, they are shown in **Box 5**.

### IRS Form W2-GI

The Office of the Comptroller also mailed IRS Form W2-GI to any SERS annuitant with group term life insurance valued over \$50,000. The value of

this group term life insurance is subject to federal income tax, and must be reported on your Federal Income Tax Return. However, they are not subject to state income tax.

### W2-GI Reporting

If you carried basic and optional group term life insurance in excess of \$50,000 during the calendar year while receiving SERS benefits, Box 1 (Wages, Tips, other Compensation) represents the taxable cost of this insurance.

The amount shown on your W2-GI is based on a formula provided by the IRS. Questions about this formula should be presented to the IRS or your tax preparer.

Refer to the "Notice to Employee" section of the W2-GI for a detailed explanation of the various codes. If you have questions regarding your W2-GI, contact the IRS, your tax preparer, or call SERS at 217-785-7047

*If you have questions regarding your 1099R, contact the IRS, your tax preparer or SERS. When contacting SERS, you will need to refer to the code to the right of your name on your 1099R. This list of codes below show the phone numbers for the section handling your code.*

#### For Code Numbers:

479 1	479 2	479 3	479 4	479 5
479 6	479 7	479 D	479 F	479 H
479 M	479 N	479 T	479 W	479 X

call 217-785-7034, 217-524-8806 or 217-785-7039.

#### For Code Numbers:

479 A	479 C	479 I	479 P	479 R
-------	-------	-------	-------	-------

call 217-785-7187.

# This Year's #'s

## Statements of Plan Net Assets June 30, 2004 and 2003

### OPERATIONS

Employer contributions went up substantially in FY04 due to several factors. On July 2, 2003, the State of Illinois deposited proceeds from the sale of bonds into SERS in the amount of \$1,385.9 million.

Additionally, the employer contribution rate went from 10.6% in FY03 to 13.715% in FY04. Benefit payments also increased substantially as the effects of the FY03 ERI program became evident. Benefit expenses went from \$831.5 million in FY03 to \$978.2 million in FY04.

Refund payments declined in FY04, due to a large number of widows/survivors and alternative formulas refunds in FY03, again as a result of the ERI program.

### INVESTMENTS

By state law, SERS' investment function is managed by the Illinois State Board of Investment (ISBI) along with the Judges' and General Assembly Retirement Systems. All investments are accounted for in a commingled ISBI fund.

In FY 04, investment income increased dramatically, with the rate of return at 16.4%, compared to 0.3% in FY03. This resulted in an increase in investment revenue of over \$1.4 billion from FY03 to FY04.

### FUNDING

The most recent actuarial valuation shows the total SERS actuarial liability was \$18.4 billion. The amount of liabilities exceeded net assets by \$8.5 billion on June 30, 2004, compared to an excess of \$10.1 billion on June 30, 2003.

The funded status of SERS on June 30, 2004 increased to 54.2% from 42.6% on June 30, 2003.

	2004	2003
<b>ASSETS</b>		
Cash	\$ 66,642,027	\$ 36,049,053
Receivables	85,035,275	31,658,281
Investments (at fair value)	9,840,077,880	7,436,093,948
Equipment (net of acc. depr.)	<u>3,152,081</u>	<u>3,087,685</u>
<b>Total Assets</b>	<b>\$ 9,994,907,263</b>	<b>\$ 7,506,888,967</b>
<b>Total Liabilities</b>		
	<b>\$ (4,720,389)</b>	<b>\$ (4,777,551)</b>
<b>Net Assets Held in Trust for Pension Benefits</b>		
	<b>\$ 9,990,186,874</b>	<b>\$ 7,502,111,416</b>

## Statements of Changes in Plan Net Assets June 30, 2004 and 2003

	2004	2003
<b>REVENUES</b>		
Contributions:		
Members	\$ 199,826,465	\$ 285,209,344
Employer	1,864,673,411	396,067,236
<b>Total Contributions</b>	<b>\$ 2,064,499,876</b>	<b>\$ 681,276,580</b>
<b>Investment Income</b>	<b>\$ 1,421,912,540</b>	<b>\$ 15,019,764</b>
<b>TOTAL REVENUES</b>	<b>\$ 3,486,412,416</b>	<b>\$ 696,296,344</b>
<b>EXPENSES</b>		
Benefits	\$ 978,201,010	\$ 831,486,596
Refunds (including transfers)	12,442,600	28,369,787
Administrative	<u>7,693,348</u>	<u>8,221,236</u>
<b>TOTAL EXPENSES</b>	<b>\$ 998,336,958</b>	<b>\$ 868,077,619</b>
<b>Net Increase/(Decrease)</b>	<b>2,488,075,458</b>	<b>(171,781,275)</b>
<b>Net Assets Held in Trust for Pension Benefits:</b>		
Beginning of Year	7,502,111,416	7,673,892,691
<b>End of Year</b>	<b>\$ 9,990,186,874</b>	<b>\$ 7,502,111,416</b>

# Myths & Realities of Retirement Workshop

If you have not already participated in a **Myths and Realities of Retirement (MRR)** workshop, enroll in 2005.

The MRR is offered for SERS retirees, survivors, disability benefit recipients and their guests. This free one-day workshop lasts from 9 a.m. until 3:30 p.m.

Topics include financial and estate planning, health & leisure, Social Security and group insurance benefits.

If you would like to attend an MRR

workshop, complete the enrollment application below and return it to SERS. We will send you a letter confirming your enrollment with the exact workshop date and location. A reminder will also be mailed to you approximately two weeks before the workshop date.

If you can't attend a workshop you've already signed up for, please call and cancel so someone else can take your spot.

*Please sign up for a MRR as soon as possible, since many 2005 workshops are already full. To register for an MRR or cancel a registration, call Vickie at 217-785-6979.*

## Circle the 2005 MRR Workshop That You Would Like to Attend

Jan. 27	Normal (33)	May 12	Chicago (02)	Sep. 1	Galesburg (23)
Feb. 1	Chicago (02)	May 19	Utica (30)	Sep. 8	Effingham (42)
Feb. 10	Springfield (01)	May 26	Marion (07)	Sep. 13	Springfield (01)
Mar. 1	Jacksonville (39)	Jun. 2	Urbana (34)	Sep. 20	Macomb (29)
Mar. 10	Rock Falls (66)	Jun. 9	Normal (33)	Sep. 28	Mt. Vernon (32)
Mar. 13	Chicago (02)	Jun. 28	Mt. Vernon (32)	Oct. 5	Schaumburg (77)
Mar. 22	Carbondale (06)	Jul. 14	Taylorville (27)	Oct. 19	Moline (46)
Mar. 29	Springfield (01)	Jul. 19	Orland Park (09)	Oct. 26	Fairview Heights (18)
Apr. 5	Centralia (44)	Jul. 26	Springfield (01)	Nov. 2	Rockford (90)
Apr. 14	Fairview Heights (18)	Jul. 28	Morton (37)	Nov. 8	Chicago (02)
Apr. 21	Joliet (47)	Aug. 10	Chicago (02)	Nov. 9	Joliet (03)
Apr. 28	Lincoln (19)	Aug. 18	Orland Park (09)	Nov. 17	East Peoria (82)
May 3	Quincy (36)	Aug. 24	Rockford (90)	Nov. 30	Bourbonnais (25)
		Aug. 30	Springfield (01)		

Name \_\_\_\_\_

Social Security Number \_\_\_\_\_

Are You Bringing a Guest? \_\_\_\_\_

### **Return This Form To:**

State Retirement Systems, Field Services Division  
 2101 S. Veterans Parkway  
 P. O. Box 19255  
 Springfield, IL 62794-9255  
 217-785-6979

---

## *Pharmacies Participating in the Retail Maintenance Network*

As of December 29, 2004, a total of 408 pharmacy outlets throughout Illinois have joined the Retail Maintenance Network. Select retail providers nationwide are also participating in this new program. These pharmacies are now able to dispense 90-day supplies of maintenance medication at the reduced rate of two co-payments.

You may also fill 61-90 day maintenance prescriptions by mail using Caremark's Mail Service Pharmacy.

If you have questions or want to find a pharmacy in your neighborhood, contact Caremark Customer Care representative at 1-866-212-4751.

For more information on the Retail Maintenance Network, visit any of the following websites:

- [www.benefitschoice.il.gov](http://www.benefitschoice.il.gov)
- [www.state.il.us/srs](http://www.state.il.us/srs)
- [www.caremark.com](http://www.caremark.com)

Caremark will be sending new ID cards with your Social Security number removed. In its place will be a new system-generated ID number. These Caremark ID cards are effective the moment you receive them. Some members won't get their new cards right away, since they will be printed and issued through January of 2006.

*The annual 3% automatic increase for retirement annuities, survivor & widow annuities, and the Occupational Death benefit will be included on your January 2005 benefit payment.*

*These increases are guaranteed by the Illinois Constitution and cannot be reduced.*

---

*Retirees who retired under the ERI on January 1, 2003 with benefit reductions for 24 months to pay the required contribution amount will have their benefit restored to the full amount on their January 2005 benefit payment.*

