



SERS Financial Condition Improves

At June 30, 2011, based on the market value of assets, the funded ratio of SERS, which measures the financial condition of the System at a point in time, was 34.94%. This is a significant increase from the funded ratio of 31.40% at June 30, 2010. The revenues and expenses affecting SERS' financial condition during FY2011 are briefly outlined.

Sources of Revenue

The three primary sources of revenue for SERS are employee contributions, employer contributions and investment income. Employee contributions are set by statute and range from 4% to 12.5% of salary, depending on the type of retirement formula and Social Security coverage. Employer contributions are calculated based on a statutory funding formula that requires the State to contribute an annual amount that will allow for a 90% funded ratio by the end of FY2045.

Employee and Employer Contributions

During FY2011, employee contributions totaled \$254.2 million, up from \$246.2 million in FY2010. Likewise, employer contributions increased from \$1,095.5 million in FY2010 to \$1,127.9 million in FY2011, thereby increasing total combined contributions from \$1,341.7 million in FY2010 to \$1,382.1 million in FY2011. The entire statutorily required employer contribution was received by the System in FY2011.

Assets and Investments

SERS' investment function is managed by the Illinois State Board of Investment (ISBI). In FY2011, the ISBI realized a 21.7% rate of return, providing

\$1,930.2 million in investment income. The FY2011 result compares very favorably to the FY2010 investment income of \$799.9 million. The market value of SERS' assets significantly increased from approximately \$9.1 billion at June 30, 2010 to almost \$11.0 billion at June 30, 2011.

Benefit Payments/Expenses

Total expenses increased from \$1,417.6 million in FY2010 to \$1,543.4 million in FY2011, an increase of \$125.7 million. This increase was driven by

a \$101.4 million increase in benefits and a \$22.3 million increase in refunds paid. Administrative expenses accounted for the remaining \$2.0 million increase from FY2010 to FY2011.

FY2012 and Beyond

For the current fiscal year of 2012, the SERS Board of Trustees certified an employer contribution of \$1,368.6 million. On October 26, 2011, the SERS Board of Trustees certified a FY2013 employer contribution of \$1,577.8 million.

Tax Information

In January, the Office of the Comptroller will mail IRS Form 1099R for 2011 SERS benefit payments to all annuitants. SERS benefits are subject to federal income tax, but not state income tax. These payments must be reported on IRS Form 1040 under "Pensions and Annuities."

IRS Form W2-GI+

W-2 GI+: Group Term Life

The Office of the Comptroller also mails IRS Form W2-GI+ to any SERS annuitant with group term life insurance valued over \$50,000. The value of the group term life insurance is subject to federal income tax, and must be reported on your Federal Income Tax Return. This is not subject to state income tax.

If you carried basic and optional group term life insurance in excess of \$50,000 while receiving SERS benefits, Box 1 (Wages, Tips, and 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 directed to the IRS or your tax preparer.

W-2 GI+: Domestic Partner/ Civil Union Dependent

Under federal tax law, if a domestic partner/civil union dependent does not qualify as the member's tax dependent as defined by the IRS, the portion of the premium paid by the State of Illinois for this coverage will be added to the member's annual gross income, subject to federal income tax withholding.

This is referred to as imputed income and will be reported on a W2 GI+ and mailed to members who carry domestic partner/civil union dependents as non-IRS tax dependents on their State of Illinois Group Insurance Plan.

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 SERS at 217-785-7047.

Circle the 2012 MRR Workshop You Would Like to Attend
Please disregard the numbers in parentheses. They are for internal office use.

SERS offers the Myths and Realities of Retirement (MRR) workshop to retirees, survivors, disability benefit recipients and their guests.

The MRR is a free, one-day workshop which runs from 9 a.m. until 3 p.m. It examines financial scams, the effects of inflation, estate planning, group insurance, and health & leisure. Participants will find this workshop worthwhile and informative.

If you would like to attend an MRR workshop, complete and return the application to us. You can also call our office to register. After you are registered, we will confirm your enrollment by letting you know the exact workshop location.

Feb. 28	S. Jacksonville (39)	Aug. 7	Springfield (01)
Mar. 6	Springfield (01)	Aug. 14	Schaumburg (77)
Mar. 13	Glen Ellyn (71)	Aug. 28	Carbondale (50)
Mar. 20	Bloomington (04)	Sep. 11	Utica (30)
Mar. 27	Matteson (17)	Sep. 18	Mt. Vernon (32)
Apr. 4	East Peoria (82)	Sep. 25	Rockford (90)
May 1	Chicago (02)	Oct. 2	Springfield (01)
Jun. 5	Springfield (01)	Oct. 10	Kankakee (12)
Jun. 12	Marion (07)	Oct. 16	Effingham (67)
Jun. 19	Rockford (90)	Oct. 24	Champaign (37)
Jun. 26	Litchfield (11)	Oct. 30	Fairview Heights (18)
Jul. 17	Rock Falls (66)	Nov. 27	Joliet (47)
Jul. 24	Chicago (02)	Dec. 4	Chicago (02)
Jul. 31	Galesburg (23)		

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 Fax: 217-557-5154