

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 em-

ployer 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.

SERS Imaging Project



How do you protect 8 million pieces of paper, which comprise the confidential records of our entire membership, from fire, tornadoes or other disaster? To solve this problem, SERS is implementing an imaging system that will convert our paper-based files into electronic images.

These electronic files can then be stored in a secure computer system. This will allow SERS staff to provide faster service to our members and provide a safe & reliable storage of member information. It will also allow a more complete recovery of this information in case of a disaster.

The conversion process utilizing the latest imaging technology has been approved by the SERS Board of Trustees and should be completed by early 2013.

So if a disaster strikes, your membership record and other confidential documents will be tucked safely away in a computer, where we could easily retrieve them!

What is Reciprocity?

Reciprocity allows an employee who has pension credit in more than one of the Retirement Systems covered under the Reciprocal Act to be considered together at the time of retirement or the death of an employee.

If you have at least one year of credited service with an Illinois Public Retirement System covered by the Reciprocal Act, your service under that system may be used to determine your eligibility for a benefit from SERS.

This amount is based on the benefit formula and service credit in each system, and is paid to you by each system. Annual pension benefit increases are made in accordance with each system's statutes.

Under the Reciprocal Act, the highest final average compensation is used for computing benefits under all systems. However, total benefits cannot be higher than it would have been if all service were in one system.

If benefits are being paid under reciprocity, and you are granted service credit by more than one system for the same period of time, each system will reduce its credit proportionately.

The Reciprocal Act does not override or change any provisions of the individual systems. Specific requirements for each system must be met before reciprocity can be applied.

The use of reciprocity is optional. A member with reciprocal time may retire independently under each system. If a member elects to use the provisions of the Reciprocal Act, the systems will exchange information regarding service credits, earnings

and other pertinent data to determine benefits payable.

For a system to pay benefits under reciprocity, a member's combined service credits must meet each system's service credit requirements. For example, if a system re-

quires ten years of service credit and a member has combined reciprocal service of eight years, the system would not pay benefits.

The maximum combined benefit payable under reciprocity is the highest monthly benefit payable as if all service credit had been established in one system. Each system pays its benefit directly to the annuitant. Annual increases in pension benefits are made in accordance with each system's statutes.

The purpose of the Reciprocal Act is to ensure full and continuous pension credit for service in public employment in the State of Illinois, and the transfer of employment from one governmental unit to another.

In August, you will receive your Annual Benefit Statement. This statement for active members includes personal benefit information about your beneficiary(ies), credited service, contributions, retirement, disability and death benefits. Your Member Handbook should be used in conjunction with your Annual Benefit Statement.

Retirement Systems Covered Under the Reciprocal Act

- Chicago Teachers' Pension Fund
- County Employees' Annuity & Benefit Fund of Cook County
- Forest Preserve District Employees' Annuity & Benefit Fund of Cook County
- General Assembly Retirement System
- Illinois Municipal Retirement Fund
- Judges' Retirement System
- Laborers' Annuity & Benefit Fund of Chicago
- Metropolitan Water Reclamation District Retirement Fund
- Municipal Employees' Annuity & Benefit Fund of Chicago
- Park Employees' Annuity & Benefit Fund of Chicago
- State Employees' Retirement System of Illinois
- Teachers' Retirement System
- State Universities Retirement System

SERS Member Snapshot June 30, 2011

Retired Members

Average age	69.5
Average annual benefit	\$29,063
Average number of years at retirement	26

Total Membership

Active	66,363
Retired	47,002

FY11 Numbers

OPERATIONS

Member contributions in FY11 increased 3.3% from the FY10 amount. This was due, in part, to a slight increase in wages subject to retirement and an increase in optional service purchases.

Employer contributions in FY11 were \$1,127.9 million, compared to the FY10 employer contribution amount of \$1,095.5 million. This change is primarily due to an increase in wages and a greater amount of employer contributions paid by the employee for optional service purchases. The employer contribution rate for FY11 and FY10 was 26.2% and 26.5%, respectively (net of the bond principal and interest repayment amounts).

Benefit payments increased 7.3% from FY10 to FY11. This was primarily due to the scheduled 3% increase in most benefit payments, and a larger number of employees eligible to receive payments.

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 FY11, investment gains directly reflected the overall positive direction of the markets.

FUNDING

The most recent actuarial valuation shows the total SERS actuarial liability was \$31.4 billion. The actuarial value of assets, using a 5-year smoothed market value, was \$11.2 billion.

The amount of liabilities exceeded net assets by \$20.2 billion on June 30, 2011, and by \$18.3 billion on June 30, 2010 using the smoothed market

Statements of Plan Net Assets June 30, 2011 and 2010

	<i>2011</i>	<i>2010</i>
ASSETS		
Cash	\$ 54,940,085	\$ 49,912,665
Receivables	41,167,867	39,333,474
Investments (at fair value)	10,882,484,004	9,120,601,694
Securities lending collateral with State Treasurer	26,414,000	22,587,000
Equipment (net of acc. depr.)	2,676,348	2,808,489
Total Assets	\$ 11,007,682,304	9,235,243,322
Total Liabilities	36,929,618	(33,412,667)
Net Assets Held in Trust for Pension Benefits	\$ 10,970,752,686	\$ 9,201,830,655

Statements of Changes in Plan Net Assets June 30, 2011 and 2010

	<i>2011</i>	<i>2010</i>
REVENUES		
Contributions:		
Members	\$ 254,201,379	\$ 246,172,971
Employer	1,127,886,796	1,095,545,856
Total Contributions	1,382,088,175	1,341,718,827
Investment Income	1,930,208,393	799,895,861
TOTAL REVENUES	\$ 3,312,296,568	\$ 2,141,614,688
EXPENSES		
Benefits	\$ 1,492,063,647	\$ 1,390,641,192
Refunds (including transfers)	37,575,929	15,274,174
Administrative	13,734,961	11,720,755
TOTAL EXPENSES	\$ 1,543,374,537	\$ 1,417,636,121
Net Increase/(Decrease)	1,768,922,031	723,978,567
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	9,201,830,655	8,477,852,088
End of Year	\$ 10,970,752,686	\$ 9,201,830,655

basis. The funded status of SERS on June 30, 2011 decreased to 35.6% from 37.4% on June 30, 2010.

SERS Pre-Retirement Workshops

The 2012 SERS pre-retirement workshops are filling up quickly. Below are the workshops still open for this year. To register, you must contact your agency's Retirement Coordinator. If you're not sure who your Retirement Coordinator is, check the "At a Glance" section of your annual Benefit Statement. For more information about our pre-retirement workshops, visit our website at www.state.il.us/srs or call 217-785-6979.

INVESTING IN YOUR FUTURE For employees under age 45

Jun. 12	Collinsville
Jun. 19	Joliet
Jun. 26	Springfield
Jul. 10	Mt. Vernon
Jul. 31	Springfield
Aug. 7	East Peoria
Sep. 18	Schaumburg
Sep. 25	Springfield
Oct. 2	Chicago
Dec. 4	Champaign

EDUCATION FOR TOMORROW'S CHOICES For employees 5-15 years from retirement

May 2 & 3	Springfield
Jun. 6 & 7	Rockford
Jun. 20 & 21	Springfield
Jul. 25 & 26	Springfield
Aug. 1 & 2	Carbondale
Aug. 15 & 16	Springfield
Aug. 22 & 23	Chicago
Aug. 29 & 30	Fairview Heights
Sep. 5 & 6	Utica
Sep. 19 & 20	Springfield
Oct. 3 & 4	Mt. Vernon
Oct. 17 & 18	Effingham
Oct. 24 & 25	Champaign
Oct. 24 & 25	Chicago
Nov. 7 & 8	East Peoria
Nov. 14 & 15	Joliet
Nov. 28 & 29	Springfield
Dec. 5 & 6	Springfield

COUNTDOWN TO RETIREMENT For employees within 3 years of retirement

Jul. 19	DeKalb
Jul. 19	Utica
Aug. 16	Matteson
Sep. 13	Rockford
Sep. 13	Springfield
Oct. 11	East Peoria
Oct. 25	Springfield
Nov. 1	Carbondale
Nov. 8	Chicago
Nov. 8	Springfield
Nov. 15	Collinsville
Dec. 13	Springfield

Although the Countdown to Retirement (CDR) is filling up quickly, members close to retirement should continue to enroll in the CDR. You will be placed on a waiting list, and if additional workshops are needed, we will notify you of newly scheduled dates and locations.