



## Which State's Tax Laws are Best if You're Retired?

If you plan to move to another state when you retire, you should examine the tax burden you'll face when you arrive. State taxes are important to everyone, but retirees have extra cause for concern since their income may be fixed. Many people planning to retire use the presence or absence of a state income tax as a litmus test for a retirement destination. This is a serious miscalculation, since higher sales and property taxes can more than offset the lack of a state income tax.

The following information pertains to the taxation of a SERS retirement pension in each of the 50 states and D.C. For definitive tax laws, you should consult a tax professional. For more information on the Web, go to [www.retirementliving.com/](http://www.retirementliving.com/)

### States with no personal income tax and therefore no state tax on SERS pensions

Alaska	Texas
Florida	Washington
Nevada	Wyoming
South Dakota	

### SERS pensions are exempt from state income taxes

Alabama	Michigan
Arkansas	Mississippi
Hawaii	New Hampshire
Illinois	Pennsylvania
Massachusetts	

### SERS pensions are fully taxed for state income tax purposes

Arizona	Nebraska
California	North Dakota
Connecticut	Oregon

Idaho	Rhode Island
Indiana	Vermont
Kansas	Wisconsin
Maryland	

### States that tax SERS pensions, if the pension amount exceeds certain limits. Consult with a tax professional for particulars

*Arkansas	New Jersey
Colorado	New Mexico
Delaware	New York
D. of C.	North Carolina
Georgia	Ohio
Iowa	Oklahoma
Kentucky	South Carolina
Louisiana	Tennessee
Maine	Utah
Minnesota	Virginia
Missouri	West Virginia
Montana	

\* Updated 1-9-08!!

## Finding the Best Place to Retire

If you're thinking of moving to another state in retirement, consider the distance from family, taxes, median home price, and the various leisure activities.

Your search might also include the area's work environment since 70-80% of retirees plan to continue working in their "retirement" years.



For a large number of retirees, the best place to retire is a college town. Universities have an energy that infuses their communities with culture, creativity and a love for learning. No wonder they draw so many retirees.

These towns provide easy access to cultural events and educational opportunities. Many universities have created academic courses specifically for seniors. Other schools allow seniors to audit classes at little or no cost.

Look for college communities that also offer some of the important attributes of traditional retirement havens, like a reasonable cost of living, lower-than-average taxes and access to topnotch medical care.

The desire to try something new is a significant consideration when choosing a retirement location. Whatever your decision, remember that you're only going to retire once—so make the best choice the first time.

# FY07 Numbers

## OPERATIONS

Member contributions in FY07 rose 4.95% from the FY06 amount, in line with the general increase in wages subject to retirement, and an increase in optional service purchases.

Employer contributions in FY07 were \$358.8 million, compared to the FY06 employer contribution amount of \$210.5 million. This increase is due to a change in state law regarding the employer financing of SERS for FY06 & 07. The employer contribution rate for FY07 and FY06 was 9.6% and 5.8%, respectively (net of the bond principal and interest repayment amounts).

Benefit payments increased 4.6% from FY06 to FY07. This was primarily due to a scheduled 3% increase in most benefit payments. The increase also reflects the Alternative Retirement Cancellation Program in FY07.

## 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 FY07, investment income continued to reflect the positive direction of the markets.

## FUNDING

The most recent actuarial valuation shows the total SERS actuarial liability was \$22.3 billion. The amount of liabilities exceeded net assets by \$10.2 billion on June 30, 2007, compared to an excess of \$10.0 billion on June 30, 2006. The funded status of SERS on June 30, 2007 increased to 54.2% from 52.2% on June 30, 2006.

### Statements of Plan Net Assets June 30, 2007 and 2006 (Unaudited)

	2007	2006
<b>ASSETS</b>		
Cash	\$ 249,858,696	\$ 226,751,078
Receivables	30,897,571	29,505,581
Investments (at fair value)	11,810,137,495	10,654,863,723
Equipment (net of acc. depr.)	2,670,416	2,886,428
<b>Total Assets</b>	<b>\$ 12,093,564,178</b>	<b>\$ 10,914,006,810</b>
<b>Total Liabilities</b>	<b>\$ (14,655,224)</b>	<b>\$ (14,153,745)</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 12,078,908,954</b>	<b>\$ 10,899,853,065</b>

### Statements of Changes in Plan Net Assets June 30, 2007 and 2006 (Unaudited)

	2007	2006
<b>REVENUES</b>		
Contributions:		
Members	\$ 224,722,599	\$ 214,108,896
Employer	358,786,650	210,499,791
<b>Total Contributions</b>	<b>\$ 583,509,249</b>	<b>\$ 424,608,687</b>
Investment Income	\$ 1,779,907,177	\$ 1,113,231,712
<b>TOTAL REVENUES</b>	<b>\$ 2,363,416,426</b>	<b>\$ 1,537,840,399</b>
<b>EXPENSES</b>		
Benefits	\$ 1,161,291,038	\$ 1,110,585,961
Refunds (including transfers)	14,261,872	13,410,048
Administrative	8,807,627	8,139,278
<b>TOTAL EXPENSES</b>	<b>\$ 1,184,360,537</b>	<b>\$ 1,132,135,287</b>
<b>Net Increase/(Decrease)</b>	<b>\$ 1,179,055,889</b>	<b>\$ 405,705,112</b>
<b>Net Assets Held in Trust for Pension Benefits:</b>		
Beginning of Year	10,899,853,065	10,494,147,953
<b>End of Year</b>	<b>\$ 12,078,908,954</b>	<b>\$ 10,899,853,065</b>

## Your Health & Radon

Radon is the leading cause of lung cancer among non-smokers. The U.S. EPA estimates that close to 1,200 Illinois citizens will develop radon-related lung cancer each year.

But what is radon? Radon is a colorless, odorless gas that you can't see, smell or feel. The Surgeon General recognizes radon as a health risk, stating "breathing radon over prolonged periods can present a significant health risk to all families."

Radon comes from the natural radioactive decay of radium and uranium found in the soil beneath your house. The amount of radon that escapes from the soil into your house depends on the weather, soil porosity, soil moisture, and the natural suction within your house.

Most radon enters a home because of air pressure and temperature differences between the building and the outside air. It also enters through openings between the house and soil such as crawl spaces,

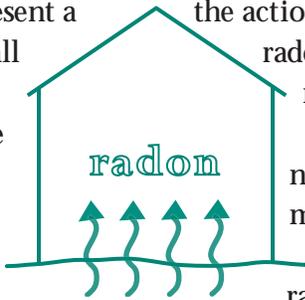
floor and wall joints, sump pumps and cracks.

While radon is more prevalent in the northern half of the state, high concentrations of radon have been found in every county in Illinois.

The only way to know the radon level in your home is to have it tested! If test results are at or above the action level of 4.0 pCi/L, radon mitigation is recommended.

Currently, the Illinois Emergency Management Agency (IEMA) Radon Program is offering radon test kits to anyone who wants to test their home. A kit can be ordered by going to [www.radon.illinois.gov](http://www.radon.illinois.gov) or by calling IEMA's toll-free number at 1-800-325-1245.

January is Radon Action Month, so reduce your risk of lung cancer by testing your home, and if needed, reducing your home's radon level by mitigation. Other information and resources about radon are also available on the IEMA website.



## Address Changes



If you change your address, please notify us as soon as possible. Failure to do so could result in insurance

claim problems and not receiving important notices from SERS.

If your check is mailed directly to your old address and returned to us due to your relocation, your benefit will be suspended until we are notified of your new address.

There are three ways to notify us of an address change:

- Contact us by telephone
- In writing
- Going to our website.

Download and print the Change of Address form, complete it and mail to:

State Retirement Systems  
2101 S. Veterans Parkway  
P. O. Box 19255  
Springfield, IL 62794-9255

SERS strives to provide our members with fast and efficient service. Correct mailing addresses are essential in meeting this goal.

## Form 1099R

You will receive an IRS Form 1099R for your 2007 SERS pension benefit payments in January. These payments are subject to federal income tax and must be reported on IRS Form 1040.

- The gross distribution in Box 1 of your 1099R is the total amount you received from SERS during calendar year 2007.
- 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 in Box 4. This is the amount of federal withholding deducted from your benefit based on your W4-P on file with SERS.

- Employee contributions are shown in Box 5. This is the non-taxable portion of your benefit for the calendar year.

- Total employee contributions are shown in Box 9B, and are only displayed in your first year of retirement.

## Keep Your Beneficiaries Current

It's very important to keep your beneficiaries updated! Remember that you may have three separate beneficiary nominations: SERS death benefit, State Life Insurance policy and Deferred Compensation.

You may change your beneficiaries at any time. The SERS Nomination of Beneficiary Form can be found at our website ([www.state.il.us/srs](http://www.state.il.us/srs)). Complete and mail this Beneficiary form to the address on the top of the form.

**Circle the 2008 MRR Workshop That 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. Registration for the MRR began September 1, 2007.*

*The MRR is a free, one-day workshop examining 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.*

Jan. 15	Springfield (01)	Jun. 24	Chicago (02)
Jan. 31	Bloomington (89)	Jul. 8	Tinley Park (95)
Feb. 5	S. Jacksonville (39)	Jul. 15	Champaign (37)
Feb. 19	Rock Falls (66)	Jul. 29	Utica (43)
Feb. 26	Chicago (02)	Aug. 5	Springfield (01)
Mar. 4	Bourbonnais (25 )	Aug. 19	Fairview Heights (18)
Mar. 11	Rockford (90)	Aug. 26	Effingham (67)
Mar. 18	Chicago (02)	Sep. 9	Utica (43)
Mar. 25	Carbondale (50)	Sep. 16	Rockford (90)
Apr. 1	Springfield (01)	Sep. 23	Moline (46)
Apr. 8	Mt. Vernon (32)	Sep. 30	Mt. Vernon (32)
Apr. 15	Fairview Heights (18)	Oct. 7	Springfield (01)
Apr. 22	Quincy (36)	Oct. 14	Marion (07)
Apr. 29	East Peoria (82)	Oct. 22	Chicago (02)
May 1	Tinley Park (95)	Oct. 28	Schaumburg (77)
May 20	Aurora (05)	Nov. 18	Bourbonnais (25)
Jun. 3	Carbondale (50)	Nov. 25	Chicago (02)
Jun. 10	Decatur (78)	Dec. 2	Joliet (47)
Jun. 17	Springfield (01)	Dec. 9	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 Fax: 217-557-5154