



## Teachers' Retirement System of the State of Illinois

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# News

**For Immediate Release**

December 11, 2012

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### **TRS BEGINS DEVELOPING CONTINGENCY PLANS FOR PENSION REFORM**

SPRINGFIELD, IL – The Board of Trustees of Teachers' Retirement System today reviewed preliminary contingency plans that would be implemented if the Illinois General Assembly approves significant changes in the state's public pension laws during 2013.

Although it is anticipated that any pension code overhaul affecting member benefits and signed into law would be challenged in court, TRS officials said that it would be irresponsible to not develop plans for the administration of all potential changes.

“Several proposals are pending in the General Assembly that would greatly affect every one of our 366,000 members and we need to be ready to help them with this important transition should it occur in the future,” said TRS Executive Director Dick Ingram. “We would need to enhance and expand our operations and procedures in several departments, especially Member Services, Employer Services and Information Technology.”

This is particularly true for one proposal before the legislature that would require all TRS members to choose between two options that would affect the future of their benefits and their eligibility for state-supported health insurance in retirement. The legislation in question requires TRS to reach out to all members to inform them of the decision they must make.

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“We don’t have the staff or the equipment or the processes in place right now to be able to effectively administer an election of this kind; or to help guide our members through this decision,” Ingram said. “It will take at least one year to gear up for something like that. It is not a matter of simply providing our members with an online calculator and telling them to figure out their future benefits by themselves. There are too many unknowns that our members would have to assume. This would be a drastic, life-changing decision for many of our members, especially the elderly who are retired and have only their TRS pension to support them.”

In addition to the contingency plans, TRS will attempt to identify other areas of existing state law that may fall into conflict with the pending reform proposals. For instance, all members - active teachers, benefit recipients and inactive educators – would be required to make a choice. But the benefit changes in the law only affect “retirement” benefits; not “disability” or “survivor” benefits, which are found in separate sections of state law and have different operating procedures.

“Right now, under one proposal a minor child receiving a survivor benefit from a deceased TRS member would have to select a choice between two options that are inappropriate for their circumstances,” Ingram added. “We would have to get that kind of inconsistency resolved.”

In other action during the regularly scheduled December meeting, the trustees:

- Approved a new contract with the System’s general investment consultant, **R.V. Kuhns & Associates of Portland, Oregon**. Kuhns has held the position of general investment advisor since 2006. The current contract expires at the end of 2012. State law requires TRS to re-bid all investment consulting relationships at a minimum of every five years.
- Hired three firms to provide the System with real estate appraisal services – **Joseph J. Blake & Associates of Jericho, New York; Butler Burgher Group, of Dallas, Texas; and U.S. Realty Consultants of Columbus, Ohio**. Blake was awarded 61 appraisal assignments over the next three years and will be paid \$262,050. Blake was awarded 35 appraisal assignments over the next three years and will be paid \$153,600. The third firm, USRC, will be kept on a retainer for the next three years and awarded assignments on an as-needed basis. The System’s policies and procedures call for the contracts for appraisal services to be re-bid every three years. All TRS investment properties in the \$4.6 billion portfolio have their value appraised at a minimum of every three years based on the date of investment.
- The Board approved a formal search for a financial management firm to provide the System with active and/or passive investment strategies within the emerging market sector of the System’s \$7.8 billion International Equity portfolio.
- Committed \$125 million from the \$4.2 billion Private Equity portfolio to **MBK Partners** for investments in Asia with an emphasis on telecommunications, media and financial services. TRS already has \$25 million committed to MBK Partners.

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- Committed \$50 million from the Real Estate portfolio to **Gaw Capital Partners of Hong Kong** for investments in various properties in Hong Kong, China, Macau, Taiwan and other Asian countries.
- Increased the size of the investment mandate for **Strategic Global Advisors of Newport Beach, California** in the System's Emerging Manager Program by \$25 million. The firm currently manages \$24.8 million in international equity investments.
- Added **Sky Investment Council, of Toronto, Ontario**, to the System's Emerging Manager Program. Sky's \$25 million mandate will be in the System's International Equity portfolio.
- Approved the "graduation" of **Herndon Capital Management, of Atlanta, Georgia**, from the Emerging Manager Program to the administration of investments in the System's \$8.6 billion Domestic Equity Portfolio with a mandate of approximately \$145 million. Herndon currently manages \$29.1 million in TRS assets.
- Approved the following changes in investment mandates within the Domestic Equity portfolio; following the annual review of all firms managing TRS assets:
  - An increase from 6 percent to 7 percent of the portfolio for **Boston Partners Financial Group, of Andover, Massachusetts**. Boston Partners currently administers \$602.8 million in TRS assets.
  - An increase from 2 percent to 3 percent of the portfolio for **Oakbrook Investments of Lisle, Illinois**. Oakbrook currently administers \$197.8 million in TRS assets.
  - An increase from 2 percent to 3 percent of the portfolio for **Lombardia Capital Partners of Pasadena, California**. The Board also voted to discontinue a second \$52.8 million investment strategy managed for TRS by Lombardia in the Emerging Manager Program. Lombardia currently administers \$250.9 million in TRS assets.
  - A decrease from 6 percent to 5 percent of the portfolio for **Levin Capital Strategies of New York, New York**. Levin currently administers \$482.9 million in TRS assets.
  - A decrease from 3 percent to 2 percent of the portfolio for **Boston Company Asset Management of Boston, Massachusetts**. Boston Company currently administers \$481.1 million in TRS assets.
  - A decrease from 28 percent to 25 percent of the portfolio for **Rhumblin Advisors of Boston, Massachusetts**. Rhumblin currently administers \$1.7 billion in TRS assets.

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#### **About Teachers' Retirement System**

The Teachers' Retirement System of the State of Illinois is the 39<sup>th</sup> largest pension system in the United States, and provides retirement, disability and survivor benefits to teachers, administrators and other public school personnel employed outside of Chicago. The System serves 366,000 members and had assets of \$37.5 billion as of September 30, 2012.