Retirement Security for Illinois Educators
Teachers' Retirement System of the State of Illinois
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August 24, 2010

The Southtown Star
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To the Editor:

R. Eden Martin's Guest Column in the August 20 Southtown Star does not give a complete picture of the State of Illinois' public pension systems and in so doing succeeds only in scaring public employees that their retirement security will soon evaporate. Not true.

The largest group of public employees in the state pension system is comprised of teachers – more than 365,000 men and women who reside all over the state. Mr. Martin's dire warnings about the imminent bankruptcy of public pensions are not true for teachers and many other government employees.

This fiscal year the Teachers' Retirement System will pay out more than $4.1 billion in benefits to retirees and their beneficiaries. All those checks will be good. In the last fiscal year the TRS investment portfolio earned approximately $4.6 billion for teacher pensions, a 13 percent return.

Mr. Martin is correct in the fact that TRS and other public pension systems carry a significant unfunded liability – a burden that will make it harder in the future to generate high investment returns. But TRS has carried a fluctuating unfunded liability since the 1950s and still is in operation. Mr. Martin's prediction that public pension systems like TRS will go bankrupt in 10 years is dubious, at best.

He complains about generous pension benefits. The average annual teacher pension in Illinois is $43,000. That's not overly generous by any measure, especially when you consider that teachers do not pay into Social Security during their education careers.

Finally, Mr. Martin suggests that "strong legal arguments" indicate that the State of Illinois will not guarantee pensions in the highly unlikely event that a pension fund goes bankrupt. For TRS, the Illinois Constitution and state law supersede any legal arguments. Teacher pensions are guaranteed by Article XIII Section 5 of the Constitution and specifically by 40 ILCS 5/16-158 (c) in state statutes. Teacher pensions are guaranteed by the state. Period.

TRS estimated that in 2009, teacher pensions generated a $4 billion economic stimulus for the State of Illinois and created more than 30,000 jobs. Public pensions are more than just cold numbers on a ledger sheet in the process of balancing the state budget. Pensions are vitally important for real people – not just retirees, but for their families and others in every community in Illinois.

Sincerely,

Dave Urbanek
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October 5, 2010

The Southtown Star
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To the Editor:

Some comments involving Illinois teacher pensions that appeared in Kristen McQueary's October 3 column need to be expanded upon within a proper context in order to avoid misleading impressions about retired educators.

A public school teachers outside of the City of Chicago can begin collecting full earned pension benefits at age 55, but *only* if she/he has accumulated 35 years of service. A 55-year-old teacher can retire with 20 years of service, but he/she will see their benefits reduced by 30 percent.

Given that clarification, it is worth pointing out that the average retirement age for an Illinois teacher is 59 and the average teacher pension is $45,000. It also must be noted that Illinois teachers do not receive Social Security for the time they spend in education.

Ms. McQueary points out correctly that the pension reform legislation enacted last spring does not affect the pensions of currently active or retired teachers. If it did, the legislation would be unconstitutional. Article XIII, Section 5 of the Illinois Constitution prevents the pensions of active or retired public employees from being "diminished or impaired." At least seven court decisions since 1972 have upheld this clause.

It is incorrect, however, to state that the pension reform law only affects teachers "...paying into the system before the bill was signed..." In actuality, although the law was signed in April, it does not take effect until January 1, 2011. The new act does not affect any teachers hired for permanent or substitute positions during 2010.

Sincerely,

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October 22, 2010

The Southtown Star
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To the Editor:

Brad Wargin's October 21 letter to the Southtown unfortunately repeats a discredited rumor that Illinois' public pension systems will go broke in 2018. Nothing could be further from the truth. The rumor is the product of an academic "study" by a Northwestern University professor of the largest state pension fund, the Teachers" Retirement System.

The study erroneously predicts that in eight years revenue generated for educators' pensions – from contributions by teachers, school districts, state government and investment income – will not keep pace with the annual growth in pensions paid to retirees and TRS will be unable to make these payments.

However, this prediction is not based on historical revenue data, but on selected variables chosen specifically by the author in order to reach the desired doomsday conclusion.

For instance, the study greatly underestimates the investment income TRS will create in the future. The study uses an unrealistic annual rate of return on investments of about 2 percent. In reality, the System's target rate of return is 8.5 percent. In the last year, the agency's actual rate of return was 12.9 percent. Over the last 25 years it is 8.6 percent and over 28 years it is 9.4 percent.

The truth is Teachers' Retirement System has carried an "unfunded liability" of various degrees since the 1950s and is still operating. Retired teachers will receive their pensions through 2018 and beyond.

The Northwestern study is flawed and should not be used as the basis of any argument.

Sincerely,

Dave Urbanek
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February 3, 2011

The Southtown Star
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To the Editor:

Robert Piechna's recent comments about public pensions in Illinois require correction or the proper context, especially in relation to Teachers' Retirement System, Illinois' largest public pension fund, with 372,000 members.

By any measure, the vast majority of pensions for retired teachers are not "lucrative," as he claims. The average TRS benefit in Cook County is $40,260, which is not much when you consider that teachers are not eligible for Social Security and do not collect any Social Security retirement benefit. The average retirement age of a teacher is 59 and the average length of service is 29 years.

Contrary to his belief, pension benefits are not negotiated with organized labor, as salary and health benefits are. They are set by state law so it is not necessary for Illinois to seek bankruptcy protection to in order to re-write any benefit structure. In any event, current law does not allow a state to declare bankruptcy.

Sincerely,

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May 14, 2011

The Southtown Star
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To the Editor:

In his May 10 column, Phil Kadner quoted a state legislator as saying that Teachers' Retirement System had "changed its discount rate (the amount it expects to earn on bond investments) from 8.5 percent to 7.5 percent."

This statement, unfortunately, is incorrect. The TRS Board of Trustees has not changed the current 8.5 percent assumed rate of investment return. The Board and TRS staff is engaged in a review of all actuarial assumptions used by the System, which includes the assumed rate of investment return. A decision will not be made on whether to change the 8.5 percent rate until later this spring or in the summer. TRS reviews its assumed rate of return every five years.

Also, the "discount rate" is the assumed rate of return on all investments made by TRS, not just investments in bonds.

In fiscal year 2011, the actual TRS rate of return on its investments was 23.6 percent. The System's average rate of return over the last 30 years is 9.3 percent.

Sincerely,

Richard W. Ingram
Executive Director
Teachers' Retirement System of the State of Illinois