Retirement Security for Illinois Educators
Teachers' Retirement System of the State of Illinois
R. Stanley Rupnik, Acting Executive Director
2815 West Washington Street, P.O. Box 19253
Springfield, Illinois 62794-9253
(800) 877-7896 TDD (217) 753-0329
trs.illinois.gov

May 21, 2010

To the Editor:

As the Illinois General Assembly reconvenes this week to continue its work on a Fiscal Year 2011 budget for state government, one key element of that spending plan is finalizing the legally required annual contribution to the state's public pension systems. On behalf of the 365,000 members of the Teachers' Retirement System, we urge legislators to approve the most reasonable course of action that is available to meet this obligation – borrowing money.

In Fiscal Year 2011, the state's contribution to TRS and the other public pensions systems totals $3.7 billion; a considerable amount. None of the options available to legislators to fulfill this requirement are attractive. Both raising taxes and cutting other areas of the budget have been flatly rejected. Discussions in recent weeks have centered on foregoing the annual payment altogether or approving a borrowing plan.

Of these two options, foregoing the FY 2011 contribution would cost more in the long run than it would save in the short term. Suspending the contribution this year would save the state $3.7 billion, but it would cost TRS alone an estimated $13.4 billion in lost investment income over the next 20 years.

That investment income is needed to ensure that TRS can fulfill the needs of all retired teachers in the future. While TRS has the resources to meet all current obligations to its members, in total the System only has enough money on hand to fulfill 52 percent of all teacher pensions current and future – a situation that places the security of educators' golden years in doubt. Foregoing this year's contribution only makes this problem worse and brings a day of reckoning closer to reality.

Borrowing money to make the pension contribution is not without its costs, but the millions to be paid in interest on the borrowing plan would be dwarfed by the billions lost if the contribution is not made.

Illinois has administered pensions for public school teachers since 1915. We are confident that the General Assembly has the best interests of our 365,000 members at heart and will act responsibly to maintain a 95-year-old compact that is a vital for educators in every corner of Illinois.

Sincerely,

Stan Rupnik
Acting Executive Director
Teachers' Retirement System of the State of Illinois

Retirement Security for Illinois Educators
TRS Teachers' Retirement System of the State of Illinois
2815 West Washington Street, P.O. Box 19253
Springfield, Illinois 62794-9253
TDD (217) 753-0329
(800) 877-7896
trs.illinois.gov

Teachers Need Straight Facts – Good and Bad – as Schools Open

The beginning of the school year is always accompanied by a wave of optimism. For students and parents all over Illinois the slate is blank, waiting to record (hopefully) more accomplishments than failures in the classroom and on the athletic field.

But for teachers past and present, the optimism of this new school year is shrouded by a deep fog of uncertainty.

All through the spring and summer, state government's on-going financial problems have cast doubts on the flow of aid to local districts, endangering classroom positions. And for retired teachers, these fiscal woes have sparked an inordinate number of calls for "reform" from critics who point to "overly generous" teacher pensions as a prime reason for the government's inability to balance revenues and spending.

Retired teachers all over Illinois read the news and wonder if their pensions are safe. Beyond a concern for their jobs, current teachers wonder if the pension they are counting on in retirement will be there. They need facts and answers to clear the air.

The fact is teacher pensions are safe – for now. This year the Teachers' Retirement System of the State of Illinois will pay out $4.1 billion in pensions and benefits to more than 94,000 recipients. All checks will be good and no pension will be delayed or reduced.

Pensions are a very positive force in the economy of Illinois. The average benefit will be between $40,000 and $50,000. By any measure, that cannot be considered "overly generous," especially when you consider that teachers do not receive Social Security in retirement for time they have served in education. But during 2008-2009, the $2.7 billion paid to retirees and benefit recipients who live in Illinois created a $4 billion economic stimulus that generated 30,448 jobs with a payroll of $1.1 billion. Every year that stimulus grows. Pensions paid to retirees are more than just numbers in a printout. Pensions are vital lifelines for men and women who served their communities for decades helping children learn and grow.

In all TRS holds more than $30 *billion* in assets. During the last fiscal year, which ended on June 30, the investment of those assets yielded approximately $2.6 *billion* in income that is used to bolster the overall retirement fund. That's a lot of money, but the sad reality is that it may not be enough as the 21st Century rolls on. TRS, like almost all other public pension systems in Illinois, is carrying a big unfunded liability problem because for years state government has not sufficiently matched the contributions of teachers and school districts.

Over the last five years, the unfunded liability of TRS has increased by more than 14 percent to almost half of the System's total obligations. This liability is not a concern for the foreseeable future. TRS has carried unfunded liabilities for more than 50 years and has always fulfilled its obligations to retired teachers. But if the state continues to short the System and the unfunded liability grows too steeply, TRS will be forced to sell off more and more investment assets to meet its obligations. That, in turn, reduces the amount of investment income that can be generated. This double hit can be avoided if state officials meet their annual financial commitment to TRS and the other state pension funds.

The System was forced to sell $1.3 billion in assets during 2009 and is selling again in 2010 because the General Assembly has delayed its annual contribution to TRS. Last year the state eventually borrowed money to fund the contribution to TRS, and those funds replaced any assets that were sold off. This year, however, it is unknown whether – or how – the legislature will find the $2.3 billion contribution it is required to make to TRS. Borrowing money again is an option – one that awaits the General Assembly after the November election.

Teachers also should know that their pensions are protected by the Illinois Constitution and cannot be "diminished or impaired." Despite suggestions that the language of the Constitution does not protect pension benefits that have yet to be earned, there have been at least seven court decisions over the last 38 years affirming the fact that the state's Constitution protects all benefits – those already earned and those yet to be earned.

And teachers should know that their pensions are guaranteed by the State of Illinois. State law is very specific and says that "all pensions, retirement annuities, death benefits, refunds, and all other benefits…are obligations of the State."

To match the optimism of the new school year, the fog of uncertainty that surrounds teacher pensions lifts when teachers get the facts – both good and bad. Teachers will see a situation that is far from perfect, but also a retirement fund that is far from collapse.

Submitted by:

Dave Urbanek
Public Information Officer
Teachers' Retirement System of the State of Illinois
Springfield, Illinois
durbanek@trs.illinois.gov
Office: 217-753-0968
Cell: [redacted]

DICK INGRAM

Some truths about state pensions

8/24/11

Throughout Illinois, public pension systems have been a central topic of discussion for months as state government grapples with an uncertain economy. State legislators and organized labor continue to discuss the future of these pension systems as well as their anticipated costs to both taxpayers and members of the pension plans (who also are taxpayers).

This discussion is vitally important for the state's future fiscal health and will be most useful if based on facts and not hyperbole. Here are some truths to remember:

Illinois' pension systems are not bankrupt. It is true that the state's pension systems together have accumulated a total debt of $140 billion, but currently only have $53 billion in assets. That leaves the systems with an unfunded liability of $87 billion.

However, that total pension debt never has to be paid off at one point in time. It is composed of money owed to retired workers as well as active public employees at some time in the future. Because public employees cannot collect until they retire, the only amount that the systems must pay each year is the amount owed to retirees.

Illinois' pension systems will not run out of money and default in 10 or 15 years. The best example is Teachers' Retirement System, the state's largest public pension plan with more than 372,000 members. In fiscal year 2010, TRS paid out $3.9 billion in pensions and benefits. Total revenues in the same year, from teachers, school districts, state government and investments, totaled $6.8 billion. TRS currently has $37 billion in assets.

With a 30-year average investment rate of return of more than 9 percent, TRS continues to exceed its long-term investment targets. These returns, along with continued member and state contributions ensure that TRS will have enough money to meet our annual obligations for decades. TRS has carried an unfunded liability since at least 1953 and has never missed a pension check.

Pension benefits locked in place by the Illinois Constitution are not the main reason the systems carry unfunded liabilities. TRS members do not participate in Social Security and their average benefit is relatively modest. They pay more than half of the cost of these benefits, and the current cost of these benefits to the state pale in comparison to the amount of money state government has failed to contribute to the pension systems — and that comprises more than two-thirds of the money budgeted for pensions.

In the case of TRS, since 1970 the state has left unpaid more than $14 billion of current pension costs. This is the main reason for the system's unfunded liability. Under actuarial "full funding" standards, the state should have contributed $33.2 billion to TRS between 1970 and 2010. Instead, TRS received only $18.6 billion.

The annual cost of pensions is not bankrupting state government but helping the Illinois economy. In fiscal year 2010, the total state budget was $56.9 billion. Of that, all social service programs cost $17.5 billion. Medicaid services alone cost $9.8 billion. Public education — from kindergarten through university — cost $13.7 billion. Salaries for state employees — who carry out all the functions of government — total $3.6 billion. By comparison, all pension benefits paid out to retirees in the same year totaled $6.9 billion. The state's contribution to fund these benefits was $4 billion.

Pension benefits paid to retired public employees are a return on an investment. Each dollar is recycled through the economy as retirees spend money exactly as they did when they were receiving a salary. Combined, state government salaries and state-administered pensions during 2010 translated into a $24.5 billion economic stimulus for the state of Illinois.

Dick Ingram is executive director of the Teachers' Retirement System of Illinois.

Teachers' Retirement System of the State of Illinois
2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253
Richard W. Ingram, Executive Director
http://trs.illinois.gov
(800) 877-7896 | for the hearing impaired: (866) 326-0087

COMMON GROUND IN THE PENSION DEBATE
by Dick Ingram
Executive Director
Teachers' Retirement System of the State of Illinois

The past year has been difficult and frustrating for everyone touched by the public pension debate in Illinois.

On the one hand, there is frustration and anger over the increasing cost of public pensions, as well as flagrant abuses of the system. On the other, there is frustration and anger over suggestions that the state should renege on the retirement promises made to hundreds of thousands of people.

The truth, however, is not so stark. There is common ground.

Everyone acknowledges that a secure retirement is vitally important to our seniors, to our society and to our economy. No one is calling for the abolition of public pensions, and no one is advocating a system that cannot be sustained by taxpayers.

At the same time, everyone acknowledges that the cost of public pensions under the current system will increase greatly over the next three decades and that these projected costs will hamper the state's ability to meet its core responsibilities to all citizens.

That reality means that it is time to leave political science behind and focus solely on the actuarial science – the dollars and the cents that must be brought into balance. It is the only way Teachers' Retirement System and the other state pension systems will be able to fulfill their fiduciary duty to their members.

Studies show that an overwhelming majority of Americans are concerned about maintaining a comfortable standard of living in retirement; and rightly so. More and more, private-sector retirement plans no longer guarantee this comfortable standard, creating widespread unease. At the same time public employees fear that the pension guarantee they do enjoy will be scuttled in an effort to create "fairness" with the private sector.

Too much effort has been spent, by everyone, trying to pin the blame. We are at the point where how we got here matters very little. The numbers have grown to a point where all that matters is where we go from here.

The facts are indisputable. Over the next 30 years, the state will owe retirees in excess of $140 billion, but Illinois has less than $54 billion in the bank right now to meet those long-term obligations. The "unfunded" portion of that liability creates tremendous pressure on state government because it essentially triples the annual cost of public pensions to taxpayers; money that could be spent on other services.

The way forward will be guided by a sober focus on the math: What has been promised; what will it cost: what can we afford. It will not be easy, but there is enough common ground for us to stand on to get where we need to be.

It is what Illinois deserves.

Teachers' Retirement System of the State of Illinois
2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253
Richard W. Ingram, Executive Director
http://trs.illinois.gov
(800) 877-7896 | for the hearing impaired: (866) 326-0087

June 25, 2012

To the editor:

Recently Governor Quinn signed a new law that creates the position of "state actuary" to provide insight to the General Assembly regarding the complicated calculation of how much taxpayers must pay each year to support public pensions.

The state's largest public pension fund, Teachers' Retirement System, welcomes the addition of this new level of review to our work. An independent double-check that compliments the existing reviews will only help increase public confidence in the way pensions are funded in Illinois.

We already have begun discussions with the Auditor General's office about how we can assist them in carrying out this new responsibility.

This law will complement our long-standing practice of sharing the numbers, estimates, assumptions and calculations used by TRS with the General Assembly's Commission on Government Forecasting and Accountability, which also employs an actuary to review our work.

In addition, we follow state law and share our data annually with the state Department of Insurance for review. TRS follows the guidelines of the Government Accounting Standards Board and regularly has an independent firm conduct an "actuarial audit" of the System's processes. Finally, the auditor general's office has many times requested and reviewed TRS actuarial calculations during its annual audit of the System's finances.

These regular reviews have never uncovered any problem in the development of our actuarial assumptions. The data used by TRS to determine pension costs, such as mortality tables, is revised every five years, was last changed in 2007 and is currently under review. The System's assumed rate of investment return is also covered by this review. The current target rate of return, 8.5 percent, has proven accurate. Over the last 30 years, the actual TRS rate of return is 9.3 percent.

TRS is in full support of any effort that will further improve the public and General Assembly's understanding of the actuarial realities underpinning the System.

Sincerely,

Dick Ingram
Executive Director
Teachers' Retirement System of the State of Illinois

Teachers' Retirement System of the State of Illinois
2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253
Richard W. Ingram, Executive Director
http://trs.illinois.gov
(800) 877-7896 | for the hearing impaired: (866) 326-0087

November, 2012

Letters to the Editor
Southtown Star
6901 West 159th Street
Tinley Park, IL 60477
letters@southtownstar.com

To the Editor:

In a recent column the Illinois Policy Institute ignored available facts and incorrectly said that Illinois' Teachers' Retirement System made "bad investment decisions" last year. The reality is that teachers' money is in good hands. In the last decade total TRS assets grew 62 percent to $37.5 billion.

Over the last 30 years, the TRS investment return is 9.6 percent – higher than our target rate of 8.5 percent. Long-term investment results matter more than short-term results because the state has promised pensions to all teachers, including those who will not retire for another 30 years.

The column focused only on the System's 0.76 percent investment return for fiscal year 2012. What the IPI didn't say is that the lower-than-expected investment earnings stemmed from a world economy that continues to be unpredictable.

There were no significant changes in the System's investment strategy over the last two years. Yet while the 2012 return was 0.76 percent, in 2011 TRS earned 23.6 percent. Also, the 0.76 percent rate is a 12-month "snapshot" taken at the end of June. The TRS return rate for the 12-month period ending September was 16.4 percent. That's an upwards swing in just three months of more than 2,000 percent.

The IPI column also falsely implies that TRS is asking state government for more money this year because of recent investment performance. In fact, the state's annual contribution is required by law regardless of how much TRS earns. The state created TRS and is responsible for a portion of its funding. In 2011, when TRS investments earned 23.6 percent, the state was still required to contribute $2.1 billion.

The pension reform debate in Illinois is not advanced by the spread of half-truths.

Sincerely,

Dick Ingram
Executive Director
Teachers' Retirement System

Teachers' Retirement System of the State of Illinois

2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253

Richard W. Ingram, Executive Director

http://trs.illinois.gov

(800) 877-7896 | for the hearing impaired: (866) 326-0087

News

For Immediate Release
November 16, 2012

Contact: Dave Urbanek
Public Information Officer
Office: 217-753-0968
Cell: 217-720-3961
durbanek@trs.illinois.gov

AFTER THE ELECTION, WHAT'S NEXT FOR TEACHER PENSIONS?

By Dick Ingram
Executive Director
Teachers' Retirement System

The elections are over and everyone is wondering the same thing about Illinois government: "What's next?"

For Teachers' Retirement System and its 366,000 members, that question will continue to focus on what must be done to ensure the long-term financial future of TRS, as well as the other state pension systems.

Between now and January 9 – when a newly-elected General Assembly convenes – teachers across Illinois are anticipating that legislators will renew a contentious debate about the future of TRS and possibly take action to overhaul the System's financial structure.

Our latest audited financial report shows that TRS is a strong retirement fund – in the near term. The System accumulated $3.7 billion in revenue during fiscal year 2012 and ended September with $37.5 billion in assets. TRS paid more than $4.5 billion in benefits last year. For now, teacher pensions are secure.

The long-term sustainability of TRS, however, remains uncertain due to the overall bleak fiscal condition of the State of Illinois. The state's debts that are expected to surpass $37 billion in 2017 and there are no plans in place to successfully meet that burden. Illinois is further tested by an underperforming economy that creates significant political and fiscal challenges which inhibit tax collections.

In the future these factors will increasingly undermine the state's legal responsibility to fully fund teacher pensions annually and to keep retirement promises to TRS members that were first established in 1939.

Against the backdrop of these difficulties, TRS has issued blunt warnings about the serious consequences of two fiscal trends on a collision course: One, the state's pension debt is growing faster than state revenues. Two, state government has continually failed to provide actuarially-adequate funding to stabilize that pension debt, much less to pay it off.

Despite $37.5 billion in assets, TRS at the end of FY 2012 had only 40.6 percent of what will be needed to pay all anticipated benefits over the next 30 years. When you combine TRS with the state's other pension systems, Illinois has the worst-funded major pension system in the country. No other state even comes close. TRS's unfunded liability alone stands at $52 billion. This means that we have only half of the assets needed to pay the benefits due to our members *who already are retired.*

Along with this warning, the TRS Board of Trustees acknowledged the harsh reality that TRS will be insolvent in the future unless changes are made to stabilize the System. The trustees established a five-point foundation for any future reform. These five cornerstones are:

- Require the use of standard actuarial practices and formulas to determine funding levels instead of alternate calculations required by state law that artificially lower state contributions. For example, the state's required contribution to TRS for fiscal year 2014 under state statutes is nearly $1 billion less than the actuarially determined amount, and this only exacerbates the unfunded liability.

(MORE)

- Require a guarantee in law ensuring that state government fully funds the state's public pension funds in the future; reversing years of lower-than needed contributions. Without a guarantee the current problem will just grow bigger.
- Fix a serious financial inequity in the funding and benefits for Tier II members hired after January of 2011. Current pension law significantly penalizes Tier II members and creates future funding imbalances that will run into the billions of dollars.
- Require that any changes enacted in the pension code be straightforward and avoid complications that unnecessarily slow the administration of benefits so we can apply them fairly to all members. This kind of transparency will help restore the trust that has been eroded by decades of broken funding promises.
- Require that any changes to the pension code adhere to Article 13, Section 5 of the Illinois Constitution – the pension protection clause. While the question of constitutionality is ultimately decided by the courts, all reform efforts must start by meeting this standard.

The need to act on the state's pension problems is as urgent as ever. TRS members and the taxpayers of Illinois deserve a solution that puts the System on permanently sound financial footing.

What's next? The problems facing TRS and the state's pension systems can be fixed. Unfortunately there are no magic answers awaiting discovery. Many other states, all in far better fiscal circumstances than Illinois, have responded to similar pension challenges by making tough decisions to ensure the future viability of their retirement systems. Illinois has not. Any change in Illinois will require similar tough decisions from everyone.

Continued inaction will just make these decisions more difficult in the future.

TRS is a promise keeper. Our fiduciary duty to uphold the System's long-term stability means we must ensure that retirement promises are kept not only for those already retired, but for veteran teachers in the midst of their careers as well as new teachers just starting out.

TRS has worked hard over the last several years to ensure that state officials and legislators have the data and sound analysis necessary to make these decisions. We have framed the issue and outlined the consequences.

What's next? It is time to answer that question.

###

About Teachers' Retirement System

The Teachers' Retirement System of the State of Illinois is the 39th 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.

Teachers' Retirement System of the State of Illinois

2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253

Richard W. Ingram, Executive Director

http://trs.illinois.gov

(800) 877-7896 | for the hearing impaired: (866) 326-0087

Please; Some Honesty About Illinois' Budget Challenges

by Dick Ingram
Executive Director
Teachers' Retirement System of the State of Illinois

In recent weeks there has been a steady stream of news describing how state government's upcoming contribution to Illinois' public pension systems is threatening other priorities in the state's $34 billion budget. Vital funding for schools, universities, human services and roads and bridges all have been held up as potential victims of a $7.7 billion pension obligation that is burdening the state's financial resources.

All of this attention might lead any reasonable person to believe that Teachers' Retirement System and the state's other pension funds created this looming financial squeeze.

They did not. The state's fiscal problems are not our fault, but they are our reality.

It is a matter of cause and effect. TRS has been crystal clear for more than a year that the System faces insolvency in about 20 years unless there are changes made in the long-term funding of public pensions. The current pension debacle is only the most visible *effect* of the real cause: decades of fiscal mismanagement and poor budget discipline in state government.

Fixating on pensions is not going to fix the state budget. We all must stay focused on the real problem and correct generations of errors that have left Illinois' finances in a shambles.

There has been much talk about retirees and "shared sacrifice" during the on-going pension debate. But when you look at Illinois through the broader prism of the budgetary challenges facing all of state government, it becomes clear that the uncertainty, frustration and anger felt by TRS members over their futures already is being shared by others. Right now. Everywhere. It's being felt by anyone dependent on state government funds – teachers, university professors, doctors and nurses, social service providers, police, prison guards and municipal workers, as well as the public they serve.

Just like everyone else, TRS must do its part and prepare for the harsh realities that are inherent with true, government-wide fiscal reform. Securing the future of the state's pension systems is a vital first step. It would clear the way for other fundamental improvements to the way Illinois conducts its fiscal affairs.

But we also recognize that correcting the pension problem is only one step towards restoring Illinois' financial integrity. On the morning after any pension changes are settled in law, it would be irresponsible to wake up and congratulate ourselves for a job well done. There is far too much additional work to do.

To prevent a slide back into the abyss, Illinois needs structural budget reforms that will eliminate a long-standing gap between the revenue that is collected each year and the money that is spent each year; as well as a plan to eliminate a $9 billion backlog of unpaid bills. These difficult but necessary actions are essential if state government is to adequately fund schools, human services, public safety and needed infrastructure investments that are essential for a healthy economy and a healthy state.

As the legislative session heads toward its scheduled May adjournment, let's not use the state's pension problems to mask a harsher reality, or as a replacement for a comprehensive financial solution for all of Illinois. We can and must do better than that.

Teachers' Retirement System of the State of Illinois

2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253

Richard W. Ingram, Executive Director

http://trs.illinois.gov

(800) 877-7896 | for the hearing impaired: (866) 326-0087

Worst-Case Scenarios Won't Help Solve Illinois' Pension Problems

by Dick Ingram
Executive Director
Teachers' Retirement System of the State of Illinois

Moody's Investors Service, one of the nation's major credit rating firms, is expected soon to release its latest study of state government finances for all 50 states, including Illinois. Yet even before the report is made public, I can tell you that Illinois – and especially its pension systems – will not fare well.

A significant part of Moody's latest review is predicated on the financial health of public pension funds in the state, including Illinois' largest – Teachers' Retirement System.

I am certain Moody's will say that TRS has a much larger unfunded liability than has been previously reported, which paints an even more dire picture of the state's overall financial condition.

What taxpayers and TRS members need to know, however, is that in reality the fiscal health of TRS and state government did not worsen overnight, nor has TRS been hiding more bad news from the public and our members. This latest calculation of TRS' unfunded liability is the result of a new formula that Moody's is using to calculate the health of pension systems; a formula designed specifically to create a "worst case" scenario for any pension system, including TRS.

The new Moody's formula is not intended to gage current reality or expectations for the future. It uses a standard assumed rate of investment return of 5.5 percent, regardless of a pension system's investment experience and strategy. At TRS, for instance, our rate of return for the last 30 years is 9.2 percent. Our rate of return in 2012 was 13.9 percent.

The worst case scenario is designed to more fully inform investors of the possible risks associated with investing in debt issued by the State of Illinois. Given the recent Securities and Exchange Commission action against the state, faulting past disclosures about the sorry funding history of its pension plans, one can argue that presenting the "worst case" is a particularly prudent action for Illinois.

However, presenting prudent "worst case" scenarios for investors does not mean that those scenarios should be used by a pension system or state officials to determine annual funding requirements. At TRS, those calculations will continue to be based on a professional analysis of what we expect to happen over the long term. Using carefully thought-out projections of future investment returns, and ensuring that all parties pay the required annual contribution based on that analysis will ensure that generations of Illinois taxpayers will not "overpay" due to "worst case" expectations.

For months TRS has been crystal clear to its members, state officials and the public in reporting the financial challenges faced by the System, including the potential for insolvency in about 25 years. The problem is big and it is real. TRS has been straight-forward in talking about its financial problems; so much so that at times some of our members would like us to stop talking about it.

The System has reported that the fund's total obligations to its members over the next 30 years are about $92 billion. And TRS has not been shy in admitting that with only $38 billion in assets, the System has an unfunded liability of about $53 billion. Any of these numbers alone are larger than Governor Quinn's proposed state budget for the coming fiscal year. A solution to this problem will be difficult and controversial.

Moody's says it trying to help investors around the country with this new formula. The company wants investors to be able to compare one state's financial health to another by applying a standard, one-size-fits-all measurement to every public pension system in every state. The problem is every pension system and every state is different. A standard measurement in this case ignores actual experience and the different circumstances – good and bad – of each system.

The citizens of Illinois deserve an honest conversation about the financial problems facing TRS and the other state pension systems in the coming years. TRS has followed state law in calculating its finances and faithfully described the troubling situation as it exists. Understanding the latest report from Moody's for what it is will keep our eyes on real solutions to these challenges.