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 16, 2011

Letters to the Editor
Crain's Chicago Business
360 North Michigan Avenue
Chicago, Illinois 60601
letters@chicagobusiness.com

Dear Editor:

A statement in your recent editorial about Illinois public pensions needs clarification because it gives your readers a mistaken view of the situation.

You say that the state's combined pension systems are "more than $80 billion short of what they need to meet future obligations to retired workers." That leaves the impression that there isn't enough money available to pay pensions. The opposite is true.

With 372,000 members, Teachers' Retirement System is the state's largest public pension system. Retired teachers in the Chicago area receive $1.4 billion in benefits annually.

The problem is confusing the "mortgage" – the systems' long-term debt – with the "mortgage payment," which is comprised of benefit payments in a single year. Homeowners do not have to pay off their entire mortgage at one time. The same is true for TRS.

Last year the TRS "mortgage payment" was $3.9 billion in benefits. But in that same year, the system's revenues totaled $6.8 billion. TRS currently has more than $37 billion in assets. There is plenty of money to pay pensions.

The $80 billion is the *long-term* unfunded liability of all state pension systems. TRS never has to pay off its unfunded liability at one time and that liability does not affect our ability to pay retiree benefits. TRS has carried an unfunded liability since at least 1953 and has never once missed a pension check.

Sincerely,

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

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December 28, 2011

Letters to the Editor
Crain's Chicago Business
360 North Michigan Avenue
Chicago, Illinois 60601
letters@chicagobusiness.com

To the Editor:

In writing your December 19 cover story, "Pension Peril," *Crain's* editorial staff chose not to include facts, evidence and quotes that undermine the premise of the story, thus depriving your readers of a true picture of the financial decisions made by Teachers' Retirement System of the State of Illinois.

A detailed, point-by-point response to this story is posted on the TRS website at www.trs.illinois.gov.

Crain's chose to base their subjective conclusions solely on quotes and observations from financial professionals and academics, as well as myself. But your staff chose not to include detailed facts and statistics that backed up my quotes and made the observations of others less credible. In particular, your staff did not use evidence – which they requested and received – that proves TRS investments are not overly "risky."

Your staff apparently also did not seek counsel or advice from a sister publication of *Crain's Chicago Business – Pensions & Investments* – in the development of the story. Unlike your staff, reporters from P&I have routinely attended meetings of the TRS Board of Trustees for years and published numerous detailed news stories about the investment decisions made by TRS.

For example, while *Crain's* needed a "four-month investigation" to "find" that TRS plans to allocate about one-third of its $37 billion investment portfolio to "alternative" investments, it would have been easier to simply consult the April 8, 2011 story posted on the P&I website, "Illinois fund hikes alternatives in new asset mix." The story was published in print on April 18 under the headline "Illinois plan ups hedge funds, private equity."

Your story unfortunately only served to needlessly scare retired Illinois teachers into thinking their hard-earned pensions are in jeopardy because of TRS's investment decisions. Nothing could be further from the truth. Indeed, the article distracted your readers from the real problem facing public pensions in Illinois – inadequate state funding over the last 70 years.

Sincerely,

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

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January 12, 2012

Letters to the Editor
Crain's Chicago Business
360 North Michigan Avenue
Chicago, Illinois 60601
letters@chicagobusiness.com

To the Editor:

Your editorial in the January 2nd edition of *Crain's* repeated the misguided premise and the erroneous conclusions that Teachers' Retirement System is increasing the risk of its investment portfolio in an attempt to dig out of its long-term unfunded liability.

The truth is that the TRS portfolio has carried less than median risk compared to its peers while delivering greater than median returns. We have publicly stated that it is not possible to invest our way out of a long-term funding deficit that has accumulated over decades.

Let me suggest a better way to deal with the System's unfunded liability. Let's focus on the simple but very challenging math that defines public pension funding in Illinois. Those numbers are so daunting that we shouldn't need to raise false concerns or attempt to pin blame, as has so often happened in the past year.

The people of Illinois, and especially our members, deserve a realistic and honest look at what has been promised; what it will cost; and how we can find common ground for a solution. Let's leave the political science out of the debate and focus on the actuarial science. TRS stands ready to engage with anyone in an honest conversation that focuses on future solutions. It's time for that kind of discussion because Illinois deserves it.

Sincerely,

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

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Letters to the Editor
Crain's Chicago Business
360 North Michigan Avenue
Chicago, Illinois 60601
letters@chicagobusiness.com

May 16, 2012

To the editor:

The problem with Robert Reed's May 14 guest column in Crain's regarding investment fees paid by Teachers' Retirement System is not the facts he used. The problem is the facts given to him by TRS that he chose not to use.

Mr. Reed and the Better Government Association began asking TRS in November of 2011 about the fees paid by the System to money managers that are hired to invest our members' money. TRS answered all of their questions.

Since November, TRS has consistently told the BGA that between 2001 and 2010, for every $1 spent by TRS on fees, the System received $10 in investment income. Fees totaled $1.3 billion during that decade. Investment income in the same period – after fees were subtracted – totaled $10.937 billion.

Mr. Reed was told that under standard industry measurements, TRS investment fees for that decade averaged 39 basis points per year. By comparison, the average public pension system paid fees of 48.5 basis points in 2010.

We also told Mr. Reed that investment returns on the TRS portfolio averaged 9.3 percent over the last 30 years and that at the end of fiscal year 2011, the System's rate of return for the year was 23.6 percent after fees had been subtracted. TRS is very proud of the strong investment returns earned on behalf of our members over the years.

Finally, Mr. Reed apparently is unaware that the Special House Committee on Pension Investments did question TRS officials about the fees paid by the System during a public hearing held in Chicago on March 13, 2012. All questions were answered.

While these facts might be inconvenient to Mr. Reed's argument, they are very important to the 362,000 TRS members throughout Illinois.

Sincerely,

Dick Ingram
Executive Director
Teachers' Retirement System

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
Richard W. Ingram, Executive Director
2815 West Washington Street, P.O. Box 19253
Springfield, Illinois 62794-9253

Crain's Chicago Business
360 North Michigan Avenue
Chicago, Illinois 60601
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June 11, 2015

To the Editor:

A recent offering in Crain's from Joe Luppino-Esposito contains some statements that must be corrected and placed in a proper context.

First, the discount rate quoted in the article for Teachers' Retirement System, 8.5 percent, is inaccurate and has been since 2012. The current discount rate for TRS is 7.5 percent.

Second, Mr. Luppino-Esposito says that any reform of public pension systems in Illinois must include greater employee contributions to TRS because members must "put some skin in the game."

In reality, TRS members do have "skin in the game" because they currently contribute more than half of the total cost of pensions in any given year from a 9.4 percent salary deduction.

In addition, Wisconsin's public pension systems have carried a nearly 100 percent funding level for years because state government consistently paid to keep the systems fully funded. In Illinois, the state's systems have a combined $111 billion unfunded liability because state government has consistently not paid to keep the systems fully funded. TRS members have always paid 100 percent of their required contributions. In Wisconsin, until recently, teachers did not contribute anything from their paychecks. They now contribute 5 percent of salary.

Sincerely,

Dick Ingram
Executive Director
Teachers' Retirement System

Sent by:
Dave Urbanek
Director of Communications
Teachers' Retirement System
217-753-0968

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
Richard W. Ingram, Executive Director
2815 West Washington Street, P.O. Box 19253
Springfield, Illinois 62794-9253

September 15, 2015

Letters to the Editor
Crain's Chicago Business
150 North Michigan Avenue
Chicago, Illinois 60601
letters@chicagobusiness.com

To the editor:

Regardless of what the organization "Truth in Accounting" said recently in Crain's about the administration of public investments by Teachers' Retirement System, Illinois taxpayers did not "take a hit" after the recent stock market correction that saw the Dow Jones industrial average fall briefly by more than 1,000 points.

Why? Because the market rebounded in less than a week.

TRS receives more than its share of enquiries and scolds from self-appointed taxpayer watchdogs whenever the market temporarily dips. However, nobody calls asking about the effect on taxpayers when the market recovers or when investments make money. Good news is no news; apparently.

While some watchdogs monitor each day's headlines looking for temporary trouble, TRS will continue to focus on a long-term analysis of its investment performance; and in that TRS has performed beyond expectations. At the end of the last fiscal year, the TRS 30-year investment return of 9.04 percent easily surpassed the system's 30-year investment target currently set at 7.5 percent.

In addition, TRS strictly adheres to state law and always invests taxpayer funds "in the best interests of participants and beneficiaries" because that clear standard best protects both our members and taxpayers.

Sincerely,

Dick Ingram
Executive Director
Teachers' Retirement System