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

March 3, 2011

Letters to the Editor
Rockford Register-Star

To the Editor:

In his March 3rd comments about teacher pensions, Ted Biondo painted a misleading picture of the state's Teachers' Retirement System by implying that teacher pensions are in jeopardy. That is wrong.

Mr. Biondo correctly notes that TRS has assets to cover only 48 percent of its total $77 billion liability. But this "unfunded liability" does not put any teacher pensions in danger.

The liability is composed of what TRS owes current retirees plus what it will owe all future retirees. The piece that Mr. Biondo misses is that the total liability never comes due because active teachers cannot collect until they retire.

The important number is what TRS does pay annually to benefit recipients. In 2010 TRS paid out $3.9 billion, but took in $6.8 billion in revenue. With $34.6 billion in assets currently and a 13.5 percent investment rate of return, TRS will have the money to fund pensions well into the future.

The truth is TRS is the 39th largest pension system in the United States with 372,000 members. TRS has carried an unfunded liability since 1953 and has never missed a pension check.

Sincerely,

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

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March 16, 2011

Letters to the Editor
Rockford Register Star

To the Editor:

While Sean Driscoll's March 12 story on Illinois' public pension systems delivers some good news for teachers and other public employees – investment income is up, he nonetheless leaves several mistaken impressions with your readers:

Retirement benefits are not "overly generous" for the vast majority of teachers. The average pension for a retired teacher in Illinois is $42,782, which is not much in today's economy. You also must remember that teachers do not pay into and are not eligible for Social Security, so a state pension is all the retirement income they have. Fifty-nine percent of all retired teachers receive a pension of under $50,000. Ninety-seven percent of retired teachers receive less than $100,000.

"Underfunding" by the state legislature through the decades refers to the unfunded liability of state pension plans. This underfunding does not mean that we cannot pay the benefits to retired teachers. Teachers' Retirement System paid out $3.9 billion in benefits last year and took in $6.8 billion in revenue. TRS has carried an unfunded liability since 1953 and has always paid pensions on time.

Sincerely,

Dave Urbanek
Public Information Officer
Teachers' Retirement System of the State of Illinois

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July 13, 2011

Letters to the Editor
Rockford Register-Star
99 East State Street
Rockford, Illinois 61104
opinions@rrstar.com

To the Editor:

Sean Driscoll's July 9th analysis of why Illinois' public pension plans carry an $80 billion long-term debt does not offer up-to-date information on the situation. Many of the "policies and practices" he identified as the culprits have been addressed by the state's largest pension fund, Teachers' Retirement System, and other state pension plans.

- "Salary Spiking" – A law curtailing large end-of-career raises to sweeten a teacher's pension has been in place since 2005 and is working.
- "Compounded COLAs" – Under a 2010 law, cost of living adjustments for new teachers when they retire will be tied to inflation and no longer compounded annually.
- "Unfunded sweeteners" – A teacher's paycheck contribution to TRS has increased four times, for a total increase of 20 percent, since 1969, the year the annual COLA was created. The contribution is now 9.4 percent of every paycheck.
- "High assumed return rates" – An assumed investment rate of return greater than 7 percent does not lead to a reliance on "risky funds" and investment losses. The current TRS target rate of return, 8.5 percent, is backed up by history. Over the last 30 years, the average TRS rate of return is 9.3 percent. On March 31, 2011, the TRS return rate for the fiscal year to date was 21.4 percent.
- "Double dipping" – State law – now and in the future – allows retirees to work *part-time* in another sector of government and still receive a pension. The law has always barred retirees from working *full-time* in government if they want to receive a pension.

Mr. Driscoll is correct in saying that Illinois' pension funds will still carry at least $8 billion in unfunded liabilities even if the state continues to make "honest contributions" each year to help reach the 90 percent long-term funding level required by state statute.

Sincerely,

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

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August 8, 2011

Letters to the Editor
Rockford Register-Star
99 East State Street
Rockford, Illinois 61104
opinions@rrstar.com

To the Editor:

Your August 4th editorial, "Illinois' money will run out if pension reform not a priority" suggests that a doomsday looms for Illinois' public pension systems. Nothing could be further from the truth.

Unfortunately, your editorial was based on an outdated Northwestern University academic study that used assumptions applied to 2009 data to predict that the state's pension funds will run dry in 2018. That study created a scenario about what would happen if the funds were deprived of all income after 2009.

In May of 2011, Barclay's Capital, a respected international investment bank, issued a report that reaches a much different conclusion using actual data from the Illinois pension systems. Using current financial information, Barclay's found that the state's pension systems will be in business for decades beyond 2018.

Teachers' Retirement System, the state's largest public pension plan with 372,000 members, currently has $37 billion in assets. TRS is meeting its long-term investment targets, receives regular contributions from its members and in recent years state government has demonstrated a commitment to pay the full statutory contributions designed to ensure the System's long term viability.

While true that Illinois has the "worst unfunded pension liability in the nation," you need to mention that this liability is the long-term total of what is owed current retirees *and* active public employees for the next several decades. Since active employees cannot collect a pension that total unfunded liability never comes due at one point in time.

TRS has carried an unfunded liability on its books since at least 1953 and has never once missed a pension check to retiree.

Finally, studies have shown that converting Illinois' current pension system to a 401(k) style plan would come with significant up-front costs and that these plans are less-cost effective on an annual basis than the current pension plan. As many of your readers no doubt know, 401(k) plans were never intended to be a primary source of retirement income, and do not guarantee a safe retirement for seniors.

Sincerely,

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

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March 2, 2012

Letter to the Editor
Rockford Register –Star
99 East State Street
Rockford, Illinois 61104
opinions@rrstar.com

To the editor:

A portion of Chuck Sweeny's February 29 column, "'Fairness must apply to all school stakeholders", needs clarification. The column says that "State and local taxpayers pick up 100 percent of Rockford's teacher pension costs." This leaves the mistaken impression that Rockford teachers are not paying the 9.4 percent contribution to Teachers' Retirement System as required by law. The truth is teachers are paying their share of the cost of their pensions.

Teacher contributions to TRS are deferred income. The contribution to TRS is part of a teacher's overall compensation package along with their take-home pay.

When a school district "picks up" the contribution, the money still comes from the teacher's total compensation package. The "pick up" is in reality only the difference of when the TRS contribution is deducted from a teacher's paycheck - before taxes are subtracted or after taxes are subtracted. There is a financial advantage for teachers if the contribution is deducted pre-tax.

No teacher directly "pays" TRS. All contributions from every teacher in every school district are deducted from paychecks by the districts. No teacher writes TRS a personal check every month. School districts are not paying extra for this "pick up" because in the end, taxpayers pay for *everything* in a school district, including all teacher salaries and benefits.

Also, the column states that there is a proposal in the Illinois General Assembly that would require school districts to pay "the entire teacher pension burden." In reality, this proposal would shift roughly $800 million of the government's annual pension cost to local school districts. State government would still be responsible for paying $1.6 billion of the annual cost under this concept.

Sincerely,

Dick Ingram
Executive Director
Teachers' Retirement System