Retirement Security for Illinois Educators
Teachers' Retirement System of the State of Illinois
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July 13, 2010

The State Journal-Register
One Copley Plaza
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letters@sj-r.com

To the Editor:

Following a recent trend to question public employee pensions, David Sykuta's July 10 opinion page column proclaims that public pensions are "out of whack…compared to the real world." Unfortunately, this view of the "real world" is flawed where teachers are concerned. The column describes an alternative pension system that actually would increase government costs.

Moving teachers to an unpredictable 401(k) system tied to the strength of the economy would mean the creation of an entirely new retirement system and drastically increased administrative costs. The Illinois Constitution would prohibit transferring current teachers into a 401(k) if that change would diminish benefits. For new teachers, then, the state would have to create a new administrative structure for a 401(k) plan concurrent with the present system. Both would require billions of dollars annually in state funding. Florida spent $89 million just to give public employees the *option* of a 401(k).

Second, Illinois teachers do not receive Social Security, despite what happens in other states. But if Illinois teachers elect to pay into Social Security to supplement a 401(k), will the state or school districts pay the employers' share? Either way, taxpayers would see government contributions to teachers' retirements rise from the current 0.58 percent of every paycheck to at least 6.2 percent. Over 10 years, those new costs would total at least $2.5 billion.

Finally, pensions are more than a cold economic variable in the state's finances. The real lives of real people depend on pensions. Right now, the average annual teacher pension in Illinois is $43,000. That is not over-generous. And teacher pensions paid out every year create $4 billion in economic activity in Illinois, including 30,400 jobs for non-teachers.

Sincerely,

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

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August 6, 2010

The State Journal-Register
One Copley Plaza
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To the Editor:

R. Eden Martin's article in the August 4 SJ-R concerning ways to fix state government's budget crisis unfortunately contained some misinformation about state pensions, especially teachers' pensions.

It's unfortunate because Mr. Martin's misinformation only scares teachers and state workers into thinking that their retirement plans are built on sand. In reality, teachers and other government workers will continue to receive their pensions for years to come.

In his article, Mr. Martin incorrectly states that if a state pension plan goes broke, the employee's claim "is against the pension fund – not the state," implying that employees have no legal recourse to their money and would get stiffed. His conclusion is based on an incomplete reading of state law.

Teachers comprise the largest single segment of public pensioners in Illinois. The state law that empowers the Teachers' Retirement System (40 ILCS 5/16-158(c)) is very specific:

"Payment of the required State contributions and of all pensions, retirement annuities, death benefits, refunds, and all other benefits granted or assumed by this System, and all expenses in connections with the administration and operation thereof, are obligations of the State."

In other words, state government does guarantee teachers' pensions.

Mr. Martin also claims that state government's "sovereign immunity" against lawsuits would prevent teachers from successfully suing to claim their pensions. In reality, the state has waived its sovereign immunity in regard to teacher pensions because TRS is a qualified pension plan under the tax deferral provisions of the Internal Revenue Service Code. Federal law would protect all claims.

Finally, Mr. Martin's premise that state retirement systems could "go broke" is, in itself, faulty. It assumes that at some point in the future, all outstanding pension obligations come due on a specific day because all school districts, as well as state and local governments, just stop functioning.

Sincerely,

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November 3, 2010

The State Journal-Register
One Copley Plaza
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To the Editor:

In his recent letter to the editor, Gerald Naughton unfortunately repeats an erroneous prediction from Northwestern University professor Joshua Rauh that the State of Illinois' public pension systems will "run dry" in 2018. The reality is Mr. Rauh's doomsday scenario has been routinely discredited by financial experts.

The state's largest public pension fund, the Teachers' Retirement System, currently invests more than $33 billion in assets for its 365,000 members and will pay out more than $4 billion in pensions and benefits this year. Retired teachers in Central Illinois should not worry about the stability of their pensions.

Rauh's prediction will only come true at TRS if – over the next eight years – TRS does not earn another dime in investment income or does not receive any contributions from active teachers, school districts and state government. That scenario is simply next to impossible.

First, because state law says teachers and school districts must contribute to TRS, the only way those contributions dry up is if all public school districts in Illinois stop operating. Further, Rauh greatly underestimates the investment income TRS and other pension systems will generate in the future. His prediction is based on an unrealistic investment return of about 2 percent per year. In fiscal year 2010, the actual rate of return on TRS investments was 13.5 percent. Over the last 25 years it averages out to 8.6 percent.

Repeating Raugh's prediction as if it were a cold hard fact only serves to unnecessarily scare teachers into thinking their pensions will soon collapse. Nothing could be further from the truth.

Sincerely,

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February 23, 2011

The State Journal-Register
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P.O. Box 219
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To the Editor:

To the Editor:

Some of the comments Malcolm Berko made in his February 17 "Taking Stock" column about public pensions in Illinois need to be corrected.

The state's largest public fund, the Teachers' Retirement System, is not "underfunded." This implies that TRS will not be able to pay pensions to retired teachers this year and that is wrong. TRS, the 86th largest pension fund in the world, will pay out approximately $4 billion in pensions and benefits this year. Last year the System took in $6.8 billion in revenue and realized a return on its investments of 13 percent, well above its target of 8.5 percent. The money entrusted to TRS by teachers throughout the state is invested wisely for the long term. The System currently holds $34.6 billion in assets.

What Mr. Berko was referring to is the long-term "unfunded liability" of the state's pension systems. The truth is that TRS has carried an unfunded liability since the 1950s and has never missed paying out pension checks. Unfortunately Mr. Berko confuses the unfunded liability – the "mortgage," if you will - with the System's annual pension obligation, which you can consider the annual "mortgage payment."

Retired teachers will receive their pension checks from TRS this year and into the foreseeable future.

Sincerely,

Richard W. Ingram
Executive Director
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June 16, 2011

Letters to the Editor
The State Journal-Register
1 Copley Plaza
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Springfield, Illinois 62705-0219

Dear Editor:

The Journal-Register's recent story on reforming Illinois' public pension systems noted that "In fiscal 2012, the state will be required to spend $6.4 billion on pensions, which includes interest on borrowing the state did in fiscal 2003, 2010 and 2011."

It is misleading and inaccurate to describe the state's borrowing costs as "pension costs." These costs have nothing to do with the cost of pension benefits. They have everything to do with decades of inadequate contributions from the state to the pension systems. It is the cost of "kicking the can down the road."

While it is true that taxpayers – which include teachers and public employees – end up footing the entire $6.4 billion bill, in reality the amount of tax dollars needed annually to fund the state's current pension contribution in 2012 is $1.6 billion.

The remaining $4.8 billion in the 2012 bill is the cost of the state deliberately underfunding the pension systems for decades. This underfunding has created an unfunded liability for the pension systems which currently is the largest in the nation. The $4.8 billion is comprised primarily of the money needed to pay down the unfunded liability, as well as payments on bonds sold in 2003, 2010 and 2011.

This is an important distinction because it is often falsely claimed that teachers and state workers receive "lavish" pensions in retirement. Artificially high contribution numbers lend credence to this misconception.

Retired members of the Teachers' Retirement System, the state's largest public pension plan, receive an average annual pension of $42,782, which is a modest income when you consider that teachers do not pay into or receive Social Security. In Sangamon County the average TRS benefit is around $30,400.

Sincerely,

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February 7, 2012

Letter to the Editor
The State Journal-Register
1 Copley Plaza
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To the editor:

A portion of the SJ-R's February 4 story, "Pension proposal worries schools" needs clarification. The story states that most school districts in Illinois "already pick up the tab for the contributions teachers are supposed to make to TRS – 9.4 percent of salary." This leaves the mistaken impression that school districts are paying something that teachers should instead be paying.

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 a difference of deducting the contribution from the teacher's salary before taxes are deducted as opposed to after taxes are deducted. 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. In the same way, no one writes a check to Social Security. The employee's portion of the federal FICA tax is deducted from the paycheck – but the tax is paid by the employee from the total compensation package.

Finally, 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.

Sincerely,

Dick Ingram
Executive Director
Teachers' Retirement System

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February 11, 2013

Letters to the Editor
The State Journal-Register
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To the Editor:

Doug Finke's article in the Sunday SJR offered a useful summary of the cause of Illinois' pension funding problems. It also showed that some continue to duck away from the full measure of the problem.

To honestly address this crisis, anything less than a 100 percent funding will continue the same flawed practices that have undermined the integrity of the pension systems for 70 years.

Illinois' defined benefit model works, and works well, but only if the plan is fully funded every year. The wreckage of seven decades of underfunding proves that

Full funding is the essence of the promise made to our members. Anything less than 100 percent is dishonest. It asks them to give a dollar's worth of services when we intend to pay only 80 or 90 cents for those services. It is equally dishonest about our intent to pay and our ability to pay what has been promised.

The pension costs of all teachers should be fully paid by the time they retire. Any funding policy set at less than 100 percent assures that future taxpayers will be contributing to the pension cost of teachers long since retired. The goal is generational equity, not ducking our responsibility.

It is unthinkable to consider anything less than 100 percent funding when today we suffer the grievous consequences of never having had full funding. Two-thirds or more of the current state outlay to the pension systems goes to paying off past shortfalls. If full funding of TRS had been the state's goal in years past, the state's pension payment in 2013 would be nearly $2 billion lower.

It is irresponsible to pass on the costs of today and yesterday to future generations of taxpayers. A policy of fully funding our pension obligations is responsible.

Sincerely,

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July 30, 2013

Letters to the Editor
The State Journal-Register
1 Copley Plaza
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To the Editor:

In a recent letter, Mark Evenson of Palatine suggested incorrectly that the $53 billion unfunded liability faced by Teachers' Retirement System is the result of "unrealistic investment return assumptions" that are too high.

It is telling, however, that Mr. Evenson discloses neither the TRS assumed rate of investment return he criticizes, or the System's actual rate of return. The truth is in the numbers, and these numbers expose the inaccuracy of his theory.

The actual investment rate of return for TRS over the last 30 years was 9.1 percent. The System's assumed rate of return for the same period was 8.5 percent. The assumed rate of return for TRS was realistic. The current assumed rate of return is 8 percent and, based on history, also is realistic.

Further, TRS data proves unequivocally that state government's annual habit of not appropriating sufficient contributions to meet the System's actuarial funding needs are the primary cause of the unfunded liability. Between 1970 and 2013, the System's actuaries calculated that $42.9 billion in state funds were needed to fully fund TRS pensions over the long term. But during the same time, state government appropriated only $26.04 billion to TRS. That's $16.9 billion less than what was needed for full funding.

Mr. Evenson says the System's unfunded liability increases "in any given year" when state government does not "immediately" pay the money required to fully cover all pension costs, implying that the required funding is received eventually at some point during the year. The sad truth is that in every year since 1939, the state has only ever made a partial payment. The full amount needed to cover all pension costs never arrives.

Sincerely,

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February 27, 2014

Letters to the Editor
The State Journal-Register
1 Copley Plaza
Springfield, Illinois 62705
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To the Editor:

In a recent guest column, representatives of two business groups opposed legislation that would set up a state-run voluntary retirement system for the private sector. One reason cited for their opposition was that state government has a "horrible track record" investing retirement money for public employees.

This statement is untrue in the case of the state's largest public pension fund, Teachers' Retirement System. TRS does not have a position on the legislation but we must correct the record. TRS currently invests $42.75 billion on behalf of the System's 391,000 members.

At the end of fiscal year 2013 last June, the TRS investment return was 12.8 percent, net of fees. The three-year rate of return for TRS was 11.8 percent and the 30-year return rate was 9.1 percent, in excess of the System's anticipated rate of return.

I seriously doubt that anyone would consider this a "horrible track record."

Sincerely,

Dick Ingram
Executive Director
Teachers' Retirement System

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
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April 27, 2015

The State Journal-Register
Letters to the Editor
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To the editor:

A recent "guest column" in the SJ-R misidentified Illinois' public pensions as the root cause of the state's budget problems. Pensions are not the cause, but a symptom of decades of fiscal irresponsibility. Other statements in the column need correcting:

State government is not "meeting all of its funding requirements" for its pensions systems. The state only meets its *statutory* funding requirement, which is considerably less than the full funding mark determined by actuaries. Underfunding is the primary cause of the state's $111 billion unfunded pension liability. For instance, between 2004 and 2014, state government underfunded Teachers' Retirement System by $8.7 billion.

The state's "runaway pension costs" are actually runaway finance charges. Of the 25 cents from each state budget dollar spent on pensions, the actual pension cost is roughly 8 cents. The remaining 17 cents pays off the principal and interest on the unfunded liability.

It is incorrect to say that there are "no controls" on "end-of-career pay spiking" in Tier I benefits. Controls have been in place since 2005.

At TRS Tier I members cannot retire in their 40s, as the column implies. A Tier I member is eligible for a discounted pension at 55 after 20 years of service.

Finally, any discussion about the merits of Tier II must include the fact that the legislature shifted part of its responsibility for funding pensions to Tier II members, who are paying 137 percent of the total cost of Tier II pensions. The excess revenue is subsidizing Tier I.

Sincerely,

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Letters to the Editor
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July 6, 2015

To the Editor:

In a recent news story about Springfield School District 186, The State Journal-Register incorrectly labeled payments made by local school districts to Teachers' Retirement System in the wake of high salary increases as "penalties."

At issue are payments owed by school districts that grant a teacher a raise in excess of 6 percent. Under a state law intended to assign the pension costs associated with these raises to the district that grants them, the district must pay to TRS the actuarial cost of the teacher's pension created by the portion of the raise that is in excess of 6 percent.

As the story pointed out, it is not illegal under the law for any school district to voluntarily decide to grant raises that exceed 6 percent. That basic fact is inconsistent with the continued use of the word "penalty" in the story. A school district cannot be penalized for not breaking the law.

In the same vein, a person that voluntarily buys a loaf of bread under state law must pay a sales tax on the purchase. Following the law and paying that tax is not a "penalty."

Sincerely,

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Sent by:
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