



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

October 19, 2011

Sound Off
Alton Telegraph
111 East Broadway
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Alton, Illinois 62002
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To the editor:

The Telegraph's recent editorial on public pensions contained some incorrect information about the way retiree benefits are structured for teachers, as well as a misconception about public pensions that is being furthered by the website forthegoodofillinois.org.

Teachers comprise the vast majority of public pension members in Illinois – 362,000 – and active members pay 9.4 percent of their salaries to Teachers' Retirement System because teachers do not participate in Social Security. State employees pay a 4 percent rate because they do participate in Social Security.

Your calculations estimating what a mythical teacher's pension would be after working 27 years and retiring at age 57 are incorrect because teacher pensions are not calculated using "final pay," but an average of the four highest consecutive salaries out of the last 10 years of service. The upper limit for a teacher's pension is 75 percent of that final average salary. Therefore, it is impossible to say that every year a teacher accrues a set percentage of their pension.

The misconception about public pensions being spread by forthegoodofillinois.org is that pensions paid out for all members must always equal the amount of money contributed for all members. In any defined benefit pension plan, like the one for Illinois teachers, some members outlive the amount of money they have contributed, and some members do not. When a member does not outlive the money they have contributed, that money goes to other retirees. State government guarantees every teacher's benefit, so taxpayers do subsidize long-time retirees, just like taxpayers subsidize long-time Social Security recipients who have received back all that they have contributed.

The truth is that Teachers' Retirement System will have enough money on hand to pay all pensions for decades to come. TRS assets totaled \$37.5 billion at the end of June. Revenues in fiscal year 2011 totaled \$10.5 billion. Pension payments this year are estimated to be \$4.5 billion.

Sincerely,

Dick Ingram
Executive Director
Teachers' Retirement System



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February 11, 2013

Sound Off
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To the Editor:

The Telegraph's February 7 editorial, "Don't worry, taxpayers are good for it," contains errors that render your conclusion inaccurate.

Teachers' Retirement System does not gamble with money from our 366,000 members or taxpayers. Since 2010, TRS investments have generated a 12.3 percent return while maintaining investment risks that are below average. Since 1990, TRS investment income has averaged \$1.6 billion per year.

Here are the errors in your editorial:

- The state pension systems are underfunded by \$93 billion, not \$200 billion. There is no question that \$93 billion is a serious problem for Illinois' future. But inflating the number does not solve it. The \$200 billion is the result of an alternative calculation that increases costs by artificially reducing anticipated revenues.
- TRS does not have "more than 14 percent" of its investment portfolio in junk bonds. Currently, TRS assets total \$38 billion, so \$1 billion is only 2.6 percent of the portfolio. The Telegraph overstates the risk in these investments. Mutual funds owned your readers and regulated by the federal government can have as much as 40 percent of their bond investments in the high-yield bonds referred to as "junk." Since 2010, all TRS bond investments have returned 10.38 percent.
- The major factor in calculating how much money TRS requests each year from the state is the projected costs of benefits, not investment results.
- New legislation to make taxpayers "explicitly responsible" for pension shortfalls is unneeded. State law – 40 ILCS 5/16-158(c) – has for years required the state to guarantee all pensions.

A discussion of serious issues like the financial problems facing public pensions requires thoughtful debate and fact-based reporting.

Sincerely,

Dick Ingram
Executive Director
Teachers' Retirement System