



Teachers' Retirement System of the State of Illinois

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

R. Stanley Rupnik, Acting Executive Director

<http://trs.illinois.gov>

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

News

For Immediate Release

November 15, 2010

Contact: Dave Urbanek
Public Information Officer

Office: 217-753-0968

Cell: 217-720-3961

durbanek@trs.illinois.gov

TAXPAYERS TO OWE \$6 BILLION IF FY 2011 STATE CONTRIBUTION TO TRS IS NOT MET

SPRINGFIELD, IL – Illinois taxpayers will owe \$6.6 billion over the next 34 years if the State of Illinois does not make the required \$2.358 billion annual contribution to the Teachers' Retirement System before the end of fiscal year 2011, TRS Board officials said today.

This projection is the total amount of money the state will have to come up with over time in order to meet the General Assembly's goal of fully funding TRS by 2045. This total is \$4.4 billion higher than the amount the state would owe over the next 34 years if the FY 2011 contribution is made during the next seven months.

"If state government does not make its annual contribution to TRS this fiscal year, the additional cost to taxpayers multiplies greatly," said State School Superintendent Christopher A. Koch, who is also the chair of the TRS Board of Trustees. "By making the state's contribution for fiscal year 2011, the General Assembly will be avoiding more than \$4 billion in additional costs."

The Board was also told by the System's actuaries, Buck Consultants of Chicago, that if the FY 2011 contribution is not made, TRS will be able to cover only 40.4 percent of its current and projected liabilities in FY 2012, compared to 43.2 percent if the contribution is made. Currently, the System carries total liabilities of \$77.2 billion and has more than \$30 billion in assets.

(MORE)

The System's unfunded liability is the direct result of decades of underfunding by state government when the annual contribution comes due. It is estimated that since 1953 state government has not paid TRS a total of \$14.8 billion, with interest on those unpaid contributions growing to the magnitude of the current liability. In FY 2010, the state's \$2.09 billion contribution was made after the General Assembly authorized a bond issue to generate the funds.

Legislation allowing the state to borrow \$3.7 billion in order to make the FY 2011 contribution to TRS and the other state pension systems has passed the Illinois House and is pending before the state Senate. The pension borrowing plan has been stalled since June and remains a few members shy of the 36 senators needed for approval. The issuance of state bonds requires a three-fifths majority vote in each legislative chamber.

It is projected that the pending FY 2011 borrowing plan for state pension systems will cost taxpayers \$1 billion in interest over the next eight years, or about \$125 million per year. The estimated cost of not borrowing the money for TRS alone in FY 2011 would be about \$194 million in principal and interest in each of the next 34 years.

The estimated cost of not making the FY 2011 state contribution was determined by Buck Consultants as part of the calculation to determine the state contribution for FY 2012. The TRS Board today certified the state's contribution for FY 2012 at \$2.555 billion. If the current fiscal year contribution is made before June 30, the FY 2012 number would be reduced by \$148 million to \$2.406 billion.

The TRS Board was required to certify next year's contribution for the governor's office by today. The Board waited until the last day to submit a certified number in order to see if legislative action would be taken on the borrowing proposal.

About Teachers' Retirement System

The Teachers' Retirement System of the State of Illinois is the 86th largest pension system in the world, and provides retirement, disability and survivor benefits to teachers, administrators and other public school personnel employed outside of Chicago. The System serves 365,188 members and had assets of \$31.3 billion as of June 30, 2010.