



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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News

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TESTIMONY OF TRS EXECUTIVE DIRECTOR DICK INGRAM TO THE SENATE APPROPRIATIONS I COMMITTEE

SPRINGFIELD, IL – Attached is the testimony of TRS Executive Director Dick Ingram before the Illinois Senate Appropriations Committee I regarding the annual state contribution for TRS in fiscal year 2017.

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About Teachers' Retirement System

The Teachers' Retirement System of the State of Illinois is the 39th largest pension system in the United States, and provides retirement, disability and survivor benefits to teachers, administrators and other public school personnel employed outside of Chicago. The System serves 400,000 members and had assets of \$43.7 billion as of December 31, 2015.

SENATE APPROPRIATIONS COMMITTEE
MARCH 8, 2016
STATEMENT BY RICHARD W. INGRAM
EXECUTIVE DIRECTOR, TEACHERS' RETIREMENT SYSTEM
RE: FY 2017 REQUIRED CONTRIBUTION TO BE APPROPRIATED

Good afternoon Madame Chair and members of the committee.

For the record, my name is Dick Ingram.

I am the Executive Director of the Teachers' Retirement System.

Thank you for the opportunity to speak regarding the pension contribution necessary to satisfy statutory requirements for FY2017.

TRS is the largest of the state funded systems.

We represent teachers and other professional staff in school districts throughout Illinois, with the sole exception of Chicago Public Schools.

We have nearly 400,000 active, retired and inactive members.

The annual benefits that we pay are approaching \$6 billion, most of which stays in Illinois, making us among the largest if not the largest annual payroll in the state.

Currently we manage approximately \$45 billion in assets.

Our accrued actuarial liability for benefits earned is approximately \$108 billion.

That means that we are only 42 percent funded.

Currently, TRS is the 37th largest public pension system in the country.

If TRS was fully funded we would be the 8th largest system in the country, as measured by assets under management.

Long term investment returns continue to be strong, despite recent market downturns.

This is important because investment returns, not contributions, cover the majority of the cost of benefits earned by our members.

As of December 31, our returns were as follows for the relevant periods:

1 Year	1.8 percent
3 Years	8.3 percent
5 Years	8.2 percent
10 Years	6.2 percent
30 Years	9.1 percent

You can favorably compare these returns with the 7.5 percent assumed rate of return used in our actuarial model.

It is important to note that these returns have been achieved while assuming below average risk in the portfolio.

Despite these strong investment results I must remind you that we cannot invest our way out of the deficit that decades of underfunding has created.

With all that said, the required contribution for fiscal 2017 certified earlier this year by the TRS Board of Trustees is \$3,986,583,351.

Of the nearly \$4 billion due next year to TRS, only \$871 million of that is needed for the cost of pensions being earned by active teachers.

The balance – over \$3 billion – is what must be paid to make up for prior funding shortfalls.

As you are likely aware, the \$3.9 billion statutory contribution is inadequate to stop the growth of our unfunded liability.

The contribution certified by the TRS Board is the result of a formula in state law that, essentially, codifies perpetual underfunding.

Each year the TRS Board also certifies a second contribution that is calculated according to accepted actuarial standards.

For fiscal year 2017, the true, actuarial contribution for TRS would be \$6,070,973,314, or 52 percent more than what state law requires.

It is worth noting that, as they have every year since inception, the State Actuary concurs with TRS's actuarial work that developed these amounts.

They also join us in encouraging the General Assembly to adopt true actuarial standards for funding.

I am happy to answer any questions the committee may have.