



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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News

For Immediate Release
December 15, 2017

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TRS FINALIZES \$4.47 BILLION STATE CONTRIBUTION FOR FY 2019

SPRINGFIELD, IL – The Teachers' Retirement System Board of Trustees has given final approval to a \$4.466 billion state contribution to the System for fiscal year 2019.

The FY 2019 state contribution falls short of the amount of money that actuaries calculate would “fully fund” the cost of TRS pensions during the year. The FY 2019 contribution is \$2.9 billion below the full funding amount of \$7.4 billion.

“Changes made to the state’s pension funding formula in 2017 just continue a long history of bad funding policy by state government that adversely affects TRS,” said Executive Director Dick Ingram. “The inescapable result of 78 years of underfunding the System is a huge unfunded liability and real concerns about the long-term sustainability of TRS.”

The original state contribution for the current fiscal year, 2018, was set last fall under the old formula at \$4.56 billion. When the formula changes were enacted as part of the FY 2018 state budget agreement, TRS had to revise that original number down to \$4.09 billion.

Since the founding of TRS in 1939, state government has never once appropriated an annual contribution to the System that equaled full funding in any year.

Due to state underfunding last year, the TRS unfunded liability grew by 2.8 percent from \$71.4 billion to \$73.4 billion, which is one of the highest deficits for a public pension systems in the country. The TRS funded status at the end of FY 2017 was 40.2 percent. Total long-term liabilities for TRS were \$122.9 billion in FY 2017 and the System ended the year with \$49 billion in assets.

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The TRS Board is required each year to calculate and certify the state's annual contribution to the System for the next fiscal year. The FY 2019 contribution calculation also has been reviewed by the State Actuary, **Cheiron, Inc., of McLean, Virginia**.

In FY 2017, TRS investments returned 12.6 percent net of fees and the System's 30-year return rate was 8.1 percent, which exceeded the long-term assumed rate of 7 percent. Total investment income in FY 2017 was \$5.5 billion.

In other action taken during its regularly scheduled December meeting, the TRS Board:

- Authorized the issuance of a Request for Proposals for consulting services to assist with private debt strategies within the System's \$10.4 billion Income portfolio. No timetable for the RFP has been established.
- Terminated the domestic equity large cap growth strategy of **J.P. Morgan Asset Management, of New York, New York**. TRS had \$189 million invested in that strategy. J. P. Morgan will continue to administer \$1.8 billion in TRS assets through other investment strategies within the System's Domestic Equity Portfolio.

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About Teachers' Retirement System

The Teachers' Retirement System of the State of Illinois is the 37th 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 412,451 members and had assets of \$49.9 billion as of September 30, 2017.