



News

For Immediate Release

April 24, 2008

Contact: Eva Goltermann, Public Information Officer
(217) 753-0968

TRS Seeks Dismissal of CPS State Funding Lawsuit

CHICAGO, IL-The Teachers' Retirement System of the State of Illinois (TRS) is asking the Cook County Circuit Court to throw out a lawsuit that challenges how the state funds the pensions of downstate and Chicago public school teachers.

TRS today filed a motion to dismiss the suit, which was brought last month by the Chicago Board of Education. The suit contends the state's method of funding the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF) is unconstitutional. Specifically, the complaint claims the state's different funding mechanisms for the two separate teacher pension systems are inequitable and therefore unlawful.

A 1995 state statute set a funding goal to provide CTPF an annual amount between 20 percent and 30 percent of the annual state appropriation mandated for the Teachers' Retirement System. TRS asserts the law makes it clear that the level of state funding provided to the CTPF is determined each year at the discretion of the Illinois Legislature, but not at a legally mandated level. The law provides the Chicago Board of Education the authority to levy local taxes in order to fund the pension plan for its teachers.

"TRS is keenly aware of the challenges involved with ensuring retirement security for educators," said Cynthia O'Neill, a TRS Board Trustee thrice-elected by retired members of the \$40 billion pension system. "The state's method of funding the different teacher pension systems is an issue to be resolved by the legislative branch of state government, not the judicial branch," O'Neill said. TRS was 63.8 percent funded as of June 30, 2007, a fiscal year in which its investment income accounted for the vast majority of all System revenue.

The motion to dismiss the suit maintains the General Assembly has a rational basis to fund the two systems differently. TRS is a state entity while CTPF is not and the Chicago Board of Education has tax mechanisms that are unavailable to TRS. Further, the motion states the Chicago public school system is large enough to oversee and to fund its own teacher pension system while other districts in the state required a centralized and mandatory state funding mechanism to do so.

The Illinois courts have consistently upheld the constitutionality of the state funding formulas for the two separate teacher retirement systems and soundly rejected similar court challenges. TRS provides retirement, disability, and death benefits to teachers and administrators at Illinois public elementary and secondary schools located outside the city of Chicago. The System serves 344,432 members.

-End-