

## **News**

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### **TRS Opposes Pension Investment Consolidation Proposal**

SPRINGFIELD, IL-The Teachers' Retirement System of the State of Illinois (TRS) is opposed to the newest proposal to combine the investment functions of the five state pension plans. The recommendation as outlined could cost the state of Illinois hundreds of millions of dollars over the short-term to move assets from separate funds into a consolidated entity.

When any investor transitions, or sells stocks or bonds as part of a change in investment managers relationships, the potential for market-related losses are significant. TRS has the most sophisticated transition management program of the Illinois public pension systems. The proposal, as did its predecessors from Governor Blagojevich's Office, fails to account at all for transition costs in calculating the "savings" associated with the new proposal.

Maintaining separate investment pools ensures greater diversification, promotes higher returns, and lowers overall investment risk. Separate pension boards also increase accountability to their members. Consolidating the investment functions as proposed would completely remove any input into the investment decision-making process from active teachers and other public employees, decrease the input of annuitants and increase the influence of elected officials and "investment experts."

"The current structure of having three separate boards to oversee the portfolios of the five state pension systems is a prudent and reasonable approach to protecting the assets, which is even more important now during the unprecedented volatility in the global financial markets," said TRS Executive Director Jon Bauman. State pensions are constitutionally protected from being reduced, regardless of market conditions or the state's fiscal condition.

"TRS welcomes additional ethics reforms designed to end government corruption and it continues to cooperate in the on-going federal investigation. We have already implemented a number of ethics-related matters contained in the proposal as a matter of Board policy," Bauman said.

A consolidation could also cause significant challenges to TRS to maintain a large stable of Emerging Managers, younger investment firms that are often women and minority-owned and are typically awarded investment amounts based on the scale of the overall portfolio. A consolidation of all the systems would threaten further growth of that program.

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