



News

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TRS Calls for Full State Pension Funding in FY09

Opposes holding a Constitutional Convention

SPRINGFIELD, IL-The Teachers' Retirement System of the State of Illinois (TRS) is urging the General Assembly and the Governor to fully fund the five state pension systems with the solace of knowing that the state's steep contribution increases will level off in just two fiscal years.

The state, which shortchanged its retirement systems for decades, began paying actuarially determined amounts into its pension systems in fiscal year 1996. The payments were part of a 50-year statutory plan designed to bring the retirement systems to a 90-percent funded level by 2045. The law requires the state to pay sharp increases in its pension contributions, known as "the ramp," for the first fifteen years of the plan before the contributions fall to a "level percent of payroll funding" in fiscal year 2011.

"The state is very close to reaching a pension funding milestone. TRS encourages Illinois lawmakers and the Governor to continue to make the tough, budgetary choices required to ensure the state can meet its future pension obligations," said Jon Bauman, executive director of the Teachers' Retirement System.

Despite numerous other spending pressures, the state complied with the statutory funding plan by appropriating \$2.1 billion to the pension systems for the current fiscal year. The plan calls for the state to contribute \$2.7 billion to all five pension systems for the fiscal year that begins July 1, 2008 and \$3.5 billion in fiscal year 2010. The state's pension debt for its five retirement systems rose to \$42 billion during 2007. The debt, or unfunded liability, is mainly a result of insufficient state funding and not because retirement benefits are overly generous. The average annual benefit for all 79,728 TRS retirees is \$40,128.

In addition to advocating for full state funding, the TRS Board of Trustees voted last Friday to oppose convening a Constitutional Convention. The Illinois Constitution contains two provisions that protect state pension benefits from being "diminished or impaired."

"The Board is opposed to holding a convention because of potential changes that could weaken or eliminate pension protection clauses for new hires," said TRS Trustee Cinda Klickna. "Other issues, such as the current funding formula for public education, can be addressed without changes being made to the current constitution," Klickna added. The cost of electing 118 delegates and conducting the convention has been estimated at \$75 million, which comes at a time when the state is facing a structural budget deficit. As required by law every 20 years, voters will decide this November whether a Constitutional Convention should be convened.

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