



News

For Immediate Release
March 18, 2009

Retirement Security for Illinois Educators

Teachers' Retirement System of the State of Illinois

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TRS Opposes Cuts to State Pension Funding

Governor's plan to slash retirement funding in FY2010 will cost billions more in the future

SPRINGFIELD, IL-A plan to balance the state's budget by slashing the already underfunded Illinois pension funds will create even more red ink for generations to come. Governor Pat Quinn has proposed a \$2.5 billion reduction in state funding to the five state pension systems for the fiscal year that begins July 1, including a \$1.3 billion cut to the Teachers' Retirement System of the State of Illinois (TRS).

Further, this budget blueprint calls for the state to suspend its payments to the pension systems as of March 31, 2009, eliminating \$362 million due to TRS in the current fiscal year. The proposed cuts would exacerbate the state's \$73 billion pension debt, of which \$41 billion is the Teachers' Retirement System's share. The plan perpetuates the broken funding promises that occurred most recently in fiscal years 2006 and 2007 when the state deviated from its statutory funding obligation and cut \$2.3 billion in funding to the retirement systems.

"These amounts must be repaid to the retirement systems with interest. If \$1.3 billion is cut from TRS during fiscal year 2010, it will cost the state \$5.8 billion over the 35 years remaining in the statutory funding plan," said Jon Bauman, executive director of the Teachers' Retirement System.

The state's pension debt is mainly a product of insufficient state funding over a period of three decades and not due to overly generous benefits. The average retirement benefit paid by TRS totals \$41,500 a year. Public school teachers in Illinois do not receive Social Security, often making their TRS benefit their only source of retirement income.

"The funding reductions hit particularly hard because of the systems' recent investment losses caused by extreme volatility in the global financial markets," Bauman said.

The Governor's budget plan also calls for current active members of TRS to pay an additional two percent of their pay toward retirement, a provision that is considered an impairment of benefits and prohibited under the Illinois and U.S. Constitutions. TRS members currently contribute 9.4 percent of their income, which is already among the highest contribution rates in the nation among teacher pension plans.

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TRS is urging the Illinois General Assembly to comply with current state law requiring actuarial funding amounts designed to pay off most of the state's pension debt by fiscal year 2045.

TRS provides retirement, disability and survivor benefits to 355,584 teachers, administrators and Illinois public school personnel employed outside the city of Chicago. The market value of the System's assets stood at \$29 billion as of December 31, 2008.

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