



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

Richard W. Ingram, Executive Director
2815 West Washington Street, P.O. Box 19253
Springfield, Illinois 62794-9253

News

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Contact: Dave Urbanek
Public Information Officer
Office: 217-814-2177
Cell: 217-891-0140
durbanek@trsil.org

TRS SETS THE STATE'S PRELIMINARY FY 2019 CONTRIBUTION AT \$4.47 BILLION

SPRINGFIELD, IL – The Teachers' Retirement System Board of Trustees has given preliminary approval to a \$4.466 billion state contribution to the System for fiscal year 2019, a 9.05 percent increase over the current year's contribution.

Adhering to recently enacted state laws, the trustees also revised the FY 2018 state contribution for TRS upwards from \$4.034 billion to \$4.095 billion. In August a new state law shifted more of the pension costs of federally-funded teachers' salaries from local school districts to state government.

Both the FY 2019 preliminary contribution and the revised FY 2018 contribution fall short of the amount of money that actuaries calculate would "fully fund" the cost of TRS pensions in either year. The FY 2019 contribution is \$2.9 billion below the full funding amount of \$7.4 billion. The FY 2018 contribution of \$4.09 billion is \$2.9 billion below the full funding amount of \$6.99 billion.

"State government continues its historic underfunding of TRS and the result, year after year, is a higher unfunded liability for TRS and more uncertainty for our members," said TRS Executive Director Dick Ingram. "The financial hole TRS faces keeps getting deeper. TRS investments are performing well over the long haul, but it's not enough to make up for almost 80 years of under-sized state contributions."

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.

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Nonetheless, the TRS unfunded liability during the year grew by 2.8 percent from \$71.4 billion to \$73.4 billion. The TRS funded status at the end of FY 2017 was 40.2 percent. Total long-term liabilities for TRS are \$122.9 billion and the System has \$49.4 billion in assets.

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

The TRS Board is required each year to certify the state's annual contribution to the System for the next fiscal year. That preliminary contribution is then reviewed by the State Actuary before it is included in the state budget for the upcoming year.

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

- Committed up to \$850 million within the System's \$6.4 billion Private Equity portfolio to **Greenspring Associates, of Owings Mills, Maryland.**
- Committed \$500 million within the \$10.2 billion International Equity portfolio to **Arrowstreet Capital, of Boston, Massachusetts.**
- Committed up to \$300 million within the System's \$5.9 billion Diversified Strategies portfolio to **The Man Group, of London, United Kingdom.**
- Committed up to \$125 million within the System's \$10.5 billion Income portfolio to **Solar Capital Partners, of New York, New York.**
- Committed up to \$100 million within the Private Equity portfolio to **Clearlake Capital Group, of Los Angeles, California.** Clearlake currently administers \$224.1 million in TRS assets.
- Committed up to \$50 million within the System's Emerging Manager Program to **Basis Investment Group, of New York, New York.**
- Authorized a formal search for a money manager to administer investments within the Income portfolio that target emerging market debt. The timetable for this search is expected to stretch into 2018.
- Terminated the services of **McKinley Capital Management of Anchorage, Alaska,** which had administered \$501 million in TRS assets within the \$10.2 billion International Equity portfolio.
- Terminated the services of **Acadian Asset Management of Boston, Massachusetts,** which had administered \$563 million in TRS assets within the \$7.6 billion Domestic Equity portfolio.
- Terminated the services of **New Century Advisors, of Bethesda, Maryland,** which had administered \$382.7 million in TRS assets within the Income portfolio.

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- Terminated the services of **Manulife Asset Management, of Boston, Massachusetts**, which had administered \$476.6 million in TRS assets within the Income portfolio.
- Terminated the U.S. Relative Value strategy of **PGIM, of Newark, New Jersey**, which totaled \$308 million within the Income portfolio. PGIM still administers \$811.4 million in System assets through other investment strategies.
- Terminated the Floating Rate strategy of **Garcia Hamilton & Associates, of Houston, Texas**, which totaled \$182.3 million within the Income portfolio. Garcia Hamilton still administers \$350 million in System assets through other investment strategies.
- Terminated the Pure Alpha strategy of **Bridgewater Associates, of Westport, Connecticut**, which totaled \$336.2 million within the System's Diversified Strategies portfolio. Bridgewater continues to administer \$920.9 million in TRS assets through other investment strategies.
- Terminated the services of **Tourbillon Global Ventures of New York, New York**, within the Diversified Strategies portfolio. Tourbillon had administered \$194.9 million in TRS assets.

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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 \$49.4 billion as of June 30, 2017.