



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

October 28, 2016

HAND DELIVERED

The Honorable Bruce Rauner
Governor
State of Illinois
207 State House
Springfield, IL 62706

Mike Hoffman, Acting Director
Central Management Services
State of Illinois
715 William G. Stratton Building
Springfield, IL 62706

The Honorable Leslie Geissler Munger
Comptroller
State of Illinois
201 State House
Springfield, IL 62706-1001

Michael Mannion, Deputy Director
Bureau of Benefits
Central Management Services
State of Illinois
801 South Seventh Street, 6th Floor
Springfield, IL 62706

RE: Teacher Health Insurance Security (THIS) Fund Certification for FY 2018

On October 28, 2016, the TRS Board certified **\$114,167,713** as the required FY 2018 state contribution to the Teacher Health Insurance Security Fund.

TRS assumes that the member contribution rate for FY 2018 will increase to 1.18 percent of pay from the FY 2017 rate of 1.12 percent. If the rate is not increased or if a different rate is adopted, the board will recertify the FY 2018 THIS Fund contribution.

The certified contribution is the amount needed to match estimated active member contributions to THIS Fund in the coming fiscal year, plus or minus the amount by which TRS over or underestimated active member contributions during the previous fiscal year. For FY 2018, the certified contribution is based on the assumed 1.18 percent member contribution rate, minus \$8,462,687 because actual member contributions for FY 2016 were less than anticipated.

The attached board certification provides more explanation of the certified FY 2018 THIS Fund contribution. An exhibit prepared by the TRS actuaries shows how the certified amount was calculated.

Questions pertaining to this certification should be directed to Kathleen Farney, Director of Research, at (217.753.0970 or kfarney@trs.illinois.gov).

October 28, 2016
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is fluid and cursive, with a large initial "R" and a long, sweeping tail.

Richard W. Ingram
Executive Director

Enc. (3)

- Certification of board resolution
- Certification of calculation adopted by the board
- Exhibit prepared by Segal Consulting showing calculation

THIS FUND CERTIFICATION
TEACHER HEALTH INSURANCE SECURITY FUND CONTRIBUTION
FY 2018

I certify the following resolution was adopted at the October 28, 2016 Regular Board meeting of the TRS Board of Trustees:

Resolved: To certify \$114,167,713 as the required state contribution to the Teacher Health Insurance Security (THIS) Fund for FY 2018, assuming the member contribution is increased to 1.18 percent of pay in FY 2018, as presented by Segal Consulting.



Richard W. Ingram, Executive Director
October 28, 2016

TEACHER HEALTH INSURANCE SECURITY (THIS) FUND CERTIFICATION OF CALCULATION FOR FY 2018

The Board of Trustees of the Teachers' Retirement System resolved during its October 28, 2016 regular meeting to certify a required state contribution to THIS Fund for FY 2018.

The FY 2018 certification is based on the assumption that the active member contribution rate increases to 1.18 percent during FY 2018. This would be a 5 percent increase over the FY 2017 active member contribution rate of 1.12 percent and the maximum increase allowed under 5 ILCS 375/6.6(a). The actual FY 2018 active member contribution rate must be determined by the Illinois Department of Central Management Services (CMS). If there is no increase in the rate or a different rate is established by CMS for FY 2018, TRS will recertify the FY 2018 state contribution requirement.

The certified state contribution is the amount needed to match estimated active member contributions to THIS Fund during FY 2018, adjusted by the amount by which TRS overestimated actual active member THIS Fund contributions during FY 2016. The amount certified for FY 2018 is **\$114,167,713** and was determined by the following procedure.

Segal Consulting, the TRS actuaries, estimate total active member payroll for FY 2018 to be \$10,441,324,011. Their payroll projection is based on the June 30, 2016 actuarial valuation. State agencies' estimated active member payroll of \$48,917,190 is subtracted because state employees covered by TRS do not make THIS Fund contributions. The remaining payroll was \$10,392,406,821. The assumed FY 2018 active member THIS Fund contribution rate of 1.18 percent of pay was applied to the remaining payroll, yielding \$122,630,400.

Public Act 92-0505 required the annual THIS Fund certification to be adjusted by the amount by which TRS over or under estimated actual active member contributions in the preceding fiscal year (5 ILCS 375 / 6.6 (c)). The amount by which TRS overestimated FY 2016 active member contributions was \$8,462,687. This \$8,462,687 was subtracted from the \$122,630,400, resulting in the certified FY 2018 contribution of \$114,167,713. The requirement to correct for over or underestimating active member contributions in the previous fiscal year remains in the TRIP extension act, Public Act 93-0679.

These calculations are shown in the following exhibit.

The Board does not certify other state contributions to THIS Fund because they are not part of the certification requirement described above. In years prior to FY 2007, additional amounts (\$11,000,000 to \$13,000,000 per year) were appropriated to THIS Fund to help pay for benefit equalizations.



Richard W. Ingram, Executive Director
October 28, 2016

Exhibit B

<p align="center">Teacher Health Insurance Security Fund Contribution Amount to be Certified by the Board for Fiscal Year 2018</p>	<p align="center">Fiscal Year 2018</p>
<p>Expected State Contribution for Fiscal Year 2018 to THIS Fund:</p> <p>1. Fiscal Year 2018 membership payroll:</p> <p> a. Total:</p> <p> b. Minus members who do not contribute to THIS Fund</p> <p> c. Members who do contribute to THIS Fund</p> <p>2. Member contribution rate (assumed)</p> <p>3. Matching State contribution: 1.c. x 2.</p> <p>4. Adjustment to THIS Fund for overestimating fiscal year 2016 member THIS Fund contributions</p> <p>5. Total THIS Fund State contribution*</p>	<p></p> <p align="right">\$ 10,441,324,011</p> <p align="right">(48,917,190)</p> <p align="right">\$ 10,392,406,821</p> <p align="right">1.18%</p> <p align="right">\$ 122,630,400</p> <p align="right">(8,462,687)</p> <p align="right">\$ 114,167,713</p>

* This certification does not include other State contributions to THIS Fund, which are not part of the statutory certification requirement.