



Teachers' Retirement System of the State of Illinois

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To the Editor:

Some of the statements in a recent article by Ted Dabrowski urging state officials to migrate all public employees from Defined Benefit (DB) retirement plans to Defined Contribution (DC) plans need correction or clarification.

The debate between proponents of DB systems, which provide perpetual annuities, and DC systems, such as 401(k)-style plans, has been on-going for years. This debate, however, should not be grounded in incomplete or incorrect information.

Mr. Dabrowski says that public pension plans "often invest in...riskier assets to try and boost their (investment) returns." He uses Illinois' largest public pension fund, Teachers' Retirement System, as his only example, pointing out that TRS has invested more than \$1 billion in bonds "that Moody's Investors Service or S&P Ratings Services rate as junk."

What he did not say is that the System's investments in these bonds are only a portion of a diversified \$43 billion TRS investment portfolio. Nor does he mention that the System has a total of \$7 billion invested in bonds of all types and over the last five years those investments have generated a positive 9.95 percent return, net of fees.

At TRS, our first investment principle is to protect assets and manage risk. Over the last 20 years, TRS investment risk was essentially equal to the median risk of other comparable pension plans – not higher – while investment returns were 7% higher than the median of those plans.

Mr. Dabrowski says that the state's public pension plans "often fall short of achieving their required rates of return." This statement is misleading.

Every three-to-five years TRS estimates what its investments should return over a 30-year period. That long-term assumed rate of investment return is currently 8 percent. Over the last 30 years, the actual TRS investment rate of return was 9.35 percent. TRS has exceeded its investment expectations, not fallen short.

Sincerely,

Dick Ingram
Executive Director
Teachers' Retirement System