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Fwd: Actuaries don't sugarcoat causes of TRS fiscal pain

1 message

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February Board Meeting

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From: **State School News Service** <j.m.broadway74@gmail.com>
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Actuaries don't sugarcoat causes of TRS pain

By Jim Broadway, Publisher, Illinois School News Service

On the legislature's home page there is a link marked "[Special Reports](#)." Atop the emerging web page is a link taking you to "[Reports submitted](#) to the [101st] General Assembly." There you'll find a passel of links including, way down about 14th from the bottom, the [certified FY 2020 requirement](#) of state funds to TRS.

There are big numbers in this January 14 message from TRS Executive Director Richard Ingram. The first is \$4.8 billion, based on calculations required by a pension law enacted in June of 2012. The second figure is \$7.8 billion, based on "the TRS actuary's recommended methodology" for deriving it, Ingram wrote.

He quoted the actuary's recommendation that the statutory funding method "be changed to fully fund plan benefits and discontinue the systematic underfunding of TRS." He noted that Segal Consulting, the TRS actuary, said the state could save \$42 billion in financing costs through 2045 by using the Board's methodology.

The TRS methodology would probably be used if the revenue to pay for it were available. The \$3 *billion gap* between the statutory calculation and the Board's method is surely too wide for the recommended change to be made for FY 2020. So the state is likely to "fully fund" TRS - and then watch its unfunded liability grow.

Segal Consulting submitted to the General Assembly a [comprehensive \(131-page\)](#) "actuarial valuation and review of [TRS] pension benefits as of June 30, 2018." Dated January 11, the Segal report fully describes assumptions and methods and assets and membership data pertinent to the fiscal health of the TRS.

Segal reported the history, including the plan developed in the administration of Gov. Jim Edgar in 1994 that projected 90% funding of TRS by 2045. Annual contributions by the state were

established and TRS membership contributions were also statutory. "TRS members have always contributed their share," Segal noted.

The next sentences **are printed in bold font** in the Segal report:

"The State funding has been inadequate, resulting in TRS being among the worst funded public employee retirement systems in the United States. We strongly recommend an actuarial funding method that targets 100% funding. Generally, this implies payments that are ultimately at least enough to cover normal cost, interest on the unfunded actuarial accrued liability, and the principal balance."

Then the Segal authors calmed down, dropped the bold font, and observed: "The funding policy adopted by the Board, referred to as the Board-Adopted Actuarial Funding Policy, meets this standard." It's obvious that the state's enactments of 1994-95 and of 2012 have not plugged the holes sufficiently.

Where does Illinois pension policy go from here? There are some facts that need to be remembered. First, the "culprits" who allowed the TRS to reach "worst funded" status were bipartisan. From the time Gov. Jim Thompson got rid of Gov. Dan Walker (good move), it took 26 years for Illinois to elect a Democratic governor.

But that Democrat was Rod Blagojevich! No help there. Next came Gov. Pat Quinn, who "fully funded" the TRS but not based on an actuarially sound methodology. Thanks a lot. But all this illustrates my second point, which is that almost all of the "culprits" referred to above are gone, retired or dead or in prison.

Another point to consider is that, based on their previous rulings, the Illinois Supreme Court is not going to allow the state to get out of its pension obligations by dumping them on pension system members, active or retired. And while "buy-outs" and similar gimmicks will do no harm, but they will not move the unfunded mountain.

Recognizing that the huge pension challenges will drain state coffers for years to come, the trick will be to reduce the flow enough to have funds available for other priorities - including public education. Eventually, long-term reamortization and a souped-up payment process (more revenue required) will be enacted. Eventually.

The listing of pending bills of interest to public education has grown to include [more than 190 measures](#) - but nearly 110 of them are still empty shell bills. There's a table with links to the bill categories at the top of the page. Just use the arrow link to return to the top of the page after reviewing a category.

As you learned in Friday's issue, some of these bills are posted to be heard in the: [House PK-12 appropriations committee](#) at 2 p.m. Tuesday; the House PK-12 panel on [curriculum and policies](#) at 10 a.m. Wednesday; the House PK-12 committee on [administration, licensing and charters](#) at 2 p.m. Wednesday.

The [Senate Education Committee](#) convenes again at 2 p.m. Tuesday.

And, as I predicted, the House finally does have committee members appointed. Here are the folks on the committee that [includes charter issues](#); and on the (big) one dealing with [curriculum and policies](#); and on [education appropriations](#). Did we already look at Senate Education? [Anyway, here's that one.](#)

The legislators' deadline for asking the Legislative Reference Bureau to draft more bills has passed, and the deadline for introducing bills comes up soon, on February 15. The deadline for bills to pass out of committees is March 22 in the Senate and March 29 in the House. The time will pass before you know it.

Remember, you can file witness slips on posted bills via the "GA Dashboard" (printed in red on the [GA home page](#)). Also, the Senate has a committee [webcast link here](#), and to monitor House committees [use this link](#). Remember, to monitor the committee you are interested in, click the link *labeled with its room number*.

What was Illinois like in 1970 when the current Illinois Constitution was presented to the public and ratified? A reader asked that question, along with some others, which led to our recent look at Article X, the Education Article, a provision that *sounded so good* at the time but, sadly, courts have ruled it [was just empty rhetoric](#).

What was Illinois like? Interestingly, it was a time of caring. Citizens generally felt like survivors of a horrible decade. The '60s started promisingly enough. The young and charismatic Sen. John F. Kennedy was elected president and inspired us to see a future of peace and prosperity and social equity. Plus, there was great music.

But JFK was murdered in 1963, as was [Medgar Evers](#). President Lyndon Johnson got Kennedy's civil rights bills enacted, but he also deepened our military involvement in Viet Nam. Young American men by the tens of thousands returned from there in body bags. TV brought the killing, live, into our living rooms.

Civic strife divided us. Progress in civil rights was hard to achieve. TV brought scenes of southern state deputies beating black men, turning [fire hoses and police dogs](#) on them, into our living rooms. Women sought equality and were humiliated for it. Martin Luther King was murdered in 1968, then so was Bobby Kennedy.

It was horrible strife on many fronts, but most of us lived through it and most of us learned from it. The decade ended with Woodstock, with the children of the flowers and [their gentle protest](#). More jolts came in 1970. The national guard [killings at Kent State](#) finally began the Nixon Administration's unraveling.

I started in journalism soon after Kent State. The stew of strife of the '60s seemed to bring many of us together in a push to forge a better future for our children, for us all. The Illinois Constitution, especially with its Education Article, could not have been ratified before then, or probably since. It was a narrow vote at that.

In my opinion, the [heart of it is the Preamble](#), our government's "mission statement." It promises a lot, perhaps too much:

We, the People ... to provide for the health, safety and welfare of the people; maintain a representative and orderly government; eliminate poverty and inequality; assure legal, social and economic justice; provide opportunity for the fullest development of the individual; insure domestic tranquility; provide for the common defense; and secure the blessings of freedom and liberty to ourselves and our posterity - do ordain and establish this Constitution for the State of Illinois.

Each House and Senate session day begins with a prayer, usually that the legislators will be "granted wisdom and courage and determination to do what's right for the citizens." It ain't working very well. I've long believed a more effective ritual would be a simple recitation of that hopeful mission statement, the Preamble.

Illinois shortchanges kids needing counselors, according [The Education Trust](#). But Illinois is not alone. The Trust posted on a factsheet the American School Counselor Association's recommended ration of 250 students, or less, per counselor. What's the actual national average? It's 464-to-1, but better (311-to-1) at high schools.

The Education Trust reported that 38 states either have too few counselors in general, or just too few to meet the needs of [students who need them most](#) - poor and minority students. Of course, some states have shortages of counseling services in both categories - in general *and* for high-need students. Illinois? Yes, it's a *both* state.

Did you watch the Super Bowl? I didn't. Don't have a television set. But I am interested in the game, as you well know. Ultimately, education is all about brains. And football affects brains. According to recent credible research, the younger a player starts playing, the [more negative effects](#) football has on his brain.

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