



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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R. Stanley Rupnik, Executive Director & Chief Investment Officer

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October 25, 2024

The Honorable JB Pritzker, Governor
Senator Don Harmon, President of the Senate
Senator John Curran, Senate Minority Leader
Representative Chris Welch, Speaker of the House
Representative Tony McCombie, House Minority Leader
Mr. Gene Kalwarski, Cheiron, State Actuary

Re: Preliminary Certification of TRS FY 2026 State Funding Requirement

Gentlemen:

At its board meeting on October 25, 2024, TRS board of trustees certified the preliminary FY 2026 state contribution requirements and results of the preliminary June 30, 2024 actuarial valuation.

The contribution requirements and actuarial valuation results are being submitted to the state actuary for review. If the state actuary agrees with the documentation we submit, the trustees will be asked to provide final certification at the December 2024 board meeting.

As directed by the TRS Legislative Platform, we certify two state funding requirements. One is based on Illinois statute and the other is based on the funding policy adopted by the TRS board. The board's policy, described below, is based on the TRS actuary's recommended methodology for determining contributions to a severely underfunded plan.

The proposed certifications for FY 2026 both include \$200,000 in minimum benefit reimbursements and are detailed in attached Exhibit A:

- **Based on Illinois statute:** **\$6,495,717,664**
- **Based on TRS Board Actuarial Funding Policy:** **\$10,734,362,004**

Assumptions. The preliminary June 30, 2024 actuarial valuation report includes assumptions about the impact of the accelerated pension benefit programs originally contained in Public Act 100-0587 and extended by Public Act 102-0718.

Board Funding Policy. The TRS board's funding policy is based on an actuarial cost method (entry age normal) that assigns costs evenly over a teacher's career instead of backloading them like the statutory cost method (projected unit credit). The board policy funds all of the benefits earned rather than 90 percent of them, and it amortizes the unfunded liability over a closed 20-year period, with subsequent increases in the unfunded liability amortized over subsequent 20-year periods. In contrast, the amortization period required by Illinois statute is a closed 50-year period.

Under the board's policy, state contributions are not limited by the state's debt service on the 2003 pension obligation bonds, and changes in actuarial assumptions are not retroactively phased in. The TRS actuary, Segal Consulting, estimates that compared to contributions required under the statutory method, the state would save about \$21.7 billion in financing costs for the period FY 2026-FY 2045 under the TRS board's funding policy.

Please contact TRS Director of Research Amy Z. Reynolds (areynolds@trsil.org) at 217.814.2272 with any questions about our certifications.

Sincerely,



R. Stanley Rupnik
Executive Director & Chief Investment Officer

Attachments:

- TRS board resolution from October 2024 meeting
- Segal's Exhibit A showing calculations.
- June 30, 2024 Preliminary Actuarial Valuation, prepared by Segal Consulting

**PROPOSED CERTIFICATION
FY 2026 STATE CONTRIBUTION TO TRS
(ILLINOIS STATUTE AND BOARD FUNDING POLICY)**

I certify that the following resolution was adopted during the October 2024 regular board meeting of the TRS Board of Trustees, in accordance with 40 ILCS 5/16-158(a-5):

Resolved: To accept the results of the preliminary June 30, 2024 actuarial valuation report as presented by the System's actuary, Segal Consulting:

- In accordance with Illinois statute, to propose to certify an FY 2026 state funding amount of \$6,495,717,664, including \$200,000 for minimum retirement benefits.
- In accordance with the board's funding policy, to propose to certify an FY 2026 state funding amount of \$10,734,362,004, including \$200,000 for minimum retirement benefits.

This proposed certification will be submitted to the State Actuary, the Governor, and the General Assembly, along with the actuarial assumptions, calculations, and data upon which this proposed certification is based.

The board will consider any changes in actuarial assumptions recommended by the State Actuary's preliminary report due on or before January 1, before finalizing its certification of the required State contributions at its December 2024 regular board meeting.



R. Stanley Rupnik
Executive Director & Chief Investment Officer
October 25, 2024

**Summary of State Contributions under Illinois Pension Code and
Board-Adopted Actuarial Funding Policy**

Fiscal Year 2026

Based on Statutory Funding Plan	
• Benefit trust reserve	
– 50.54% of membership payroll ¹	\$6,695,382,824
– Less school districts contributions	
• (0.58% of membership payroll)	(76,838,015)
• (6.00% final average salary cap increases)	(9,845,000)
• (10.34% of membership payroll above the governor's salary)	(2,121,410)
– Less federal funds contribution	
• (10.34% of membership payroll from federal funds)	(27,396,727)
– Less phase-in of the effect of assumption changes	(83,664,008)
– State contribution	6,495,517,664
• Plus guaranteed minimum annuity reserve	200,000
• Total state contribution (current law)	6,495,717,664
Based on Board-Adopted Actuarial Funding Policy²	
• Benefit trust reserve	
– Normal cost plus amortization	10,850,363,156
– Less school districts contributions	
• (0.58% of membership payroll)	(76,838,015)
• (6.00% final average salary cap increases)	(9,845,000)
• (10.34% of membership payroll above the governor's salary)	(2,121,410)
– Less federal funds contribution	
• (10.34% of membership payroll from federal funds)	(27,396,727)
– State contribution	10,734,162,004
• Less guaranteed minimum annuity reserve	200,000
• Total state contribution	10,734,362,004
Total normal cost and employer normal cost rate and federal contribution rate	
• Total normal cost rate (including administrative expenses)	19.34%
• Less member contribution rate	(9.00%)
• Employer normal cost rate	10.34%
• Federal contribution rate (employer normal cost rate, per Public Act 100-0340)	10.34%

¹ Expected fiscal year 2026 membership payroll is \$13,247,933,643

² Board-Adopted Actuarial Funding Policy is based on the entry age normal actuarial cost method, current asset valuation method and an amortization policy as follows:

- 20-year closed amortization of Unfunded Actuarial Accrued Liability (UAAL) beginning with Fiscal Year 2017
- Use layered amortization, with new UAAL after Fiscal Year 2017 being amortized over 20 years regardless of source
- Amortization payment increase at the rate of future State revenue growth (assumed to be 2.00%)
- Minimum total contribution is no less than the normal cost in any given year