



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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Richard W. Ingram, Executive Director

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October 31, 2018

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 Susana Mendoza
Comptroller
State of Illinois
201 State House
Springfield, IL 62706-1001

Teresa Flesch, 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 2020

On October 30, 2018, the TRS Board certified **\$138,701,551** as the required FY 2020 state contribution to the Teacher Health Insurance Security Fund.

TRS assumes that the member contribution rate for FY 2020 will increase to 1.30 percent of pay from the FY 2019 rate of 1.24 percent. If the rate is not increased or if a different rate is adopted, the board will recertify the FY 2020 THIS Fund contribution.

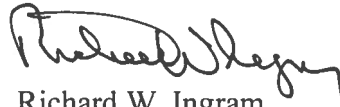
The certified contribution is the amount needed to match estimated active member contributions to THIS Fund in the coming fiscal year, plus or minus the amount by which TRS over or underestimated active member contributions during the previous fiscal year. For FY 2020, the certified contribution is based on the assumed 1.30 percent member contribution rate, minus \$3,063,242 because actual member contributions for FY 2018 were less than anticipated.

The attached board certification provides more explanation of the certified FY 2020 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 217.814.2067 or kfarney@trsil.org.

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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.

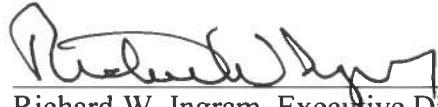
Richard W. Ingram
Executive Director

Enc. (3)

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

**FY 2020 STATE CONTRIBUTION TO THE
TEACHER HEALTH INSURANCE SECURITY (THIS) FUND**

Resolved: To certify \$138,701,551 as the required state contribution to the Teacher Health Insurance Security (THIS) Fund for FY 2020, assuming the member contribution is increased to 1.30 percent of pay in FY 2020, as presented by Segal Consulting.



Richard W. Ingram, Executive Director
October 31, 2018

TEACHER HEALTH INSURANCE SECURITY (THIS) FUND CERTIFICATION OF CALCULATION FOR FY 2020

The Board of Trustees of the Teachers' Retirement System resolved during its October 30, 2018 regular meeting to certify a required state contribution to THIS Fund for FY 2020.

The FY 2020 certification is based on the assumption that the active member contribution rate increases to 1.30 percent during FY 2020. This would be a 5 percent increase over the FY 2019 active member contribution rate of 1.24 percent and the maximum increase allowed under 5 ILCS 375/6.6(a). The actual FY 2020 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 2020, TRS will recertify the FY 2020 state contribution requirement.

The certified state contribution is the amount needed to match estimated active member contributions to THIS Fund during FY 2020, adjusted by the amount by which TRS overestimated actual active member THIS Fund contributions during FY 2018. The state contribution amount certified for FY 2020 is **\$138,701,551** and was determined by the following procedure.

Segal Consulting, the TRS actuaries, estimate total active member payroll for FY 2020 to be \$10,954,583,571. Their payroll projection is based on the June 30, 2018 actuarial valuation. State agencies' estimated active member payroll of \$49,599,516 is subtracted because state employees covered by TRS do not make THIS Fund contributions. The remaining payroll was \$10,904,984,055. The assumed FY 2020 active member THIS Fund contribution rate of 1.30 percent of pay was applied to the remaining payroll, yielding \$141,764,793.

Public Act 92-0505 required the annual THIS Fund certification to be adjusted by the amount by which TRS over or underestimated actual active member contributions in the preceding fiscal year (5 ILCS 375 / 6.6 (c)). The amount by which TRS overestimated FY 2018 active member contributions was \$3,063,242. This \$3,063,242 was subtracted from the \$141,764,793, resulting in the certified FY 2020 contribution of \$138,701,551. 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.

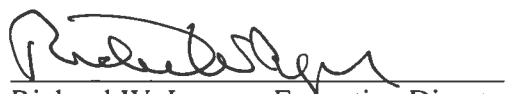

Richard W. Ingram, Executive Director
October 31, 2018

Exhibit B

Teacher Health Insurance Security Fund Contribution Amount to be Certified by the Board for Fiscal Year 2020	Fiscal Year 2020
Expected State Contribution for Fiscal Year 2020 to THIS Fund:	
1. Fiscal Year 2020 membership payroll:	
a. Total	\$ 10,954,583,571
b. Minus members who do not contribute to THIS Fund	(49,599,516)
c. Members who do contribute to THIS Fund	\$ 10,904,984,055
2. Member contribution rate (assumed)	1.30%
3. Matching State contribution: 1.c. x 2.	\$ 141,764,793
4. Adjustment to THIS Fund for overestimating fiscal year 2018 member THIS Fund contributions	(3,063,242)
5. Total THIS Fund State contribution*	\$ 138,701,551

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