



Within the next week, news media in Illinois may report about improper activities by certain employees at Teachers' Retirement System that occurred between late 2018 and 2020.

The basic facts are detailed in a recently released report by the Illinois Office of Executive Inspector General (OEIG). The activities centered on a conflict of interest in the hiring of software developers for a new TRS computer system. Hopefully, any media reports will include the steps TRS has taken to prevent future wrongdoing.

We owe it to you to give you the full story.

Let's start by answering an important question: The payment of TRS benefits was not affected by the conflict of interest that was uncovered. Throughout 2018, 2019 and 2020, all TRS benefits were paid on time and in full. All benefits continue to be paid on time and in full.

The conflict of interest at the root of this incident was uncovered by TRS staff who acted as whistleblowers. Due to their tips, the scheme was investigated thoroughly during 2019 and 2020 by both the TRS Board of Trustees and the OEIG.

TRS was the first to conduct an internal investigation in the matter and cooperated fully with the OEIG in its subsequent investigation. In fact, the OEIG findings mirror what was found by the System's internal audits and investigations. TRS will continue to cooperate with any current or future investigations.

[A link to the OEIG report is here.](#)

TRS did not wait for the OEIG to conclude its investigation before taking action. As a result of its own investigation, five TRS executives left the System in 2020. Since then, new safeguards to prevent similar conflicts and to better enable whistleblowers, have been put in place by TRS.

TRS delayed making any official comment about this situation until now in order to allow the OEIG to finalize its report, present it to the Executive Ethics Commission of the State of Illinois and make it public. The OEIG report was publicly released in late August.

As a TRS member, you should understand what TRS did to uncover and combat this wrongdoing, as well as what the System has done in the wake of these events to better safeguard your retirement system. TRS will undertake all of the recommendations in the OEIG report and has instituted several other reforms, as follows:

- In 2019 and 2020, eight concerned and brave TRS staff filed separate complaints with the TRS Director of Internal Audit and the OEIG concerning potential conflicts of interest within the

hiring practices for the development of the new "Gemini" IT system.

- In late 2019, the TRS Board of Trustees launched an independent investigation, which found evidence of a conflict of interest in the hiring of software developers for Gemini. The results were shared with the OEIG.
- In 2020, the Board terminated the System's chief financial officer and accepted the resignations of the executive director, chief information officer in charge of technology, general counsel and chief human resources officer.
- In 2020, the Board terminated the contracts of multiple outside consultants and developers that played a part in the scheme and placed those companies on a "prohibited contractor list."
- In 2020, TRS created a new Procurement and Contracting Committee composed of several senior managers that provides a new level of review for all purchasing and external contracts. With this step, one person alone will no longer be able to manipulate the process to his/her own ends or hide wrongdoing. The committee creates a process that encourages open discussion of all purchasing requests, requires written documentation and recorded votes of all procurement matters.
- TRS implemented a "whistleblower hotline" that allows concerned staff to anonymously raise potential problems. Several senior managers monitor any complaints made to the hotline and a recorded log of complaints is maintained by the System. This hotline eliminates any opportunity for one or more people to silence a complaint or cover up wrongdoing.
- TRS strengthened the Ethics and Standards of Conduct section of its Personnel Policies and Procedures to more clearly establish the definition of a conflict of interest and detail procedures for identifying, reporting and avoiding conflicts of interest.
- TRS will now require all staff to undergo annual training on the System's conflict of interest policies, the procurement process and the new whistleblower hotline.
- All TRS finances are audited annually by an independent accounting firm selected by the Illinois Auditor General. Those audits are available on the Auditor General's website. TRS annual reports certified by the external auditors are available on the [System's website](#).
- The Board created a special ad hoc committee to oversee the further development of the "Gemini" IT project. There was a significant delay in the development of the project, but Gemini is scheduled to go live and be operational in September 2021.

This incident has been deeply disappointing for all of us at TRS. It understandably creates concerns in the minds of our 427,000 members, as well as Illinois taxpayers.

Moving forward, our goal is to solidify the reputation of TRS and your confidence in our management of your money and your retirement system. TRS is re-doubling its efforts to shield our operations from improper or illegal activities.

The new safeguards put in place build on the courage of eight TRS staff members. If there is a bright spot in all of this, it is the actions of these eight whistleblowers.

TRS is a better place today because of them.

If you have any questions regarding this distasteful incident, please direct them to TRS_Communications@trsil.org. We will do our best, within the limits of the law and what we know of the facts, to answer you.

Sincerely,

Teachers' Retirement System of the State of Illinois

877-927-5877 (877-9-ASK-TRS)

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