

News

For Immediate Release

October 11, 2006

Contact: Eva Goltermann, Public Information Officer
(217) 753-0968

TRS Response to Rezko Indictments

SPRINGFIELD, IL-The Teachers' Retirement System of the State of Illinois (TRS) and its Board of Trustees are disgusted, angered and deeply troubled by the federal charges filed today against Antoin "Tony" Rezko, who has served as a top fundraiser and advisor to Governor Rod Blagojevich. Rezko, along with former TRS trustee Stuart Levine, are accused of soliciting and demanding millions of dollars in undisclosed payments and kickbacks from investment firms seeking to do business with TRS.

"These alleged acts of misconduct in no way reflect the strong commitment of the current Board of Trustees and the 175 members of the TRS staff to serve our members with honesty, integrity and professionalism. We are steadfast in our mission to protect the retirement security of TRS members who entrust us with their financial futures," said TRS Executive Director Jon Bauman. "Rezko and Levine are accused of using pay-for-play schemes to enrich themselves and others instead of serving in the best interests of the teachers and citizens of Illinois. Their actions are shameful," Bauman said.

The indictment states Rezko and Levine used their influence to coerce the investment firms into signing sham consulting contracts, requiring the firms to pay "finder's fees" for work that was never provided. The true recipients of the fees were concealed by Levine and former outside counsel Steven Loren from the TRS Board of Trustees and from system staff. No TRS assets were used to pay these fees, which prosecutors say were split among Rezko, Levine and others involved in the scheme. In most cases, the schemes were unsuccessful because TRS staff intervened or because the investment proposals were not worthy of consideration by the TRS Board.

Levine, who has been cooperating with federal prosecutors, is scheduled to plead guilty in connection with the scheme on October 27. TRS will continue to provide cooperation and information to federal authorities and we look forward to justice being served in this case.

(More)

In January, TRS filed a civil suit in Cook County Circuit Court against Levine, its former outside counsel Steve Loren and his former law firm, and Joseph Cari, former partner of the private equity fund HealthPoint Capital. The suit, which accuses Levine, Loren and Cari of criminal breach of their fiduciary duties to TRS, seeks \$3.9 million in legal fees paid to Loren's former law firm, Gardner Carton & Douglas, as well as other monetary and compensatory damages to be determined by the court. The civil suit has been stayed until the criminal cases are resolved.

The Teachers' Retirement System provides retirement, disability and death benefits to teachers and administrators at Illinois public elementary and secondary schools outside the city of Chicago. TRS is diligent in obtaining the best investment fee structure available. The system earned top performance returns among its peers this year and ranked in the top quartile of the Wilshire Trust Universe Comparison Service. TRS serves 325,000 members and annuitants and had assets of \$36.5 billion as of June 30, 2006.

-End-