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FOR IMMEDIATE RELEASE

Date: November 19, 2009

TASK FORCE TRIES BUT CANNOT HIDE THE TRUTH

Endorsement of final report favors special interests over the facts.

A week after the dust settled from the exaggerated media response to the findings issued by the Pension Modernization Task Force, one thing remains clear: Illinois' outsized unfunded pension liability remains a major fiscal challenge. In other words, Illinois is in big trouble.

The state's fiscal troubles include [but are not limited to] its ever increasing unfunded liability, now approaching \$80 billion, a backlog of \$4 billion in unpaid bills for services already rendered by private providers, and a FY 2011 starting deficit of \$11.9 billion.

After six months of deliberations, the Illinois Pension Modernization Task Force produced a substantive final report that examined the fundamental problems with funding the state's five public employee pension systems. Unfortunately, the legislature may never have the opportunity to use the Task Force's findings to guide it to crafting solutions that would actually address the unfunded liability problems. The proposed final report failed (9-10) to gain enough votes to be endorsed by the Task Force.

Instead of accepting the report and the findings therein, some members' cherry picked information that fit their political interests and ideological views, rather than facts that would dispel myths and alleviate fear among taxpayers.

Among the findings that certain members of the Task Force did not want voters and taxpayers to know include:

- The **cost** to taxpayers of state-funded pension benefits **is less than the private sector**, and less than public pensions in neighboring states;
- The **level** of benefits when compared to 85 public employee retirement systems nationwide are average;
- Seventy-eight (78%) of funds' beneficiaries **do not receive Social Security**, meaning their pension is their sole source of retirement income;
- Changes or **cuts to future benefits will not reduce [by one penny] the state's debt** for past benefits already earned (the "unfunded liability"), nor **lower required pension payments** in the near term;
- The primary **cause of the state's unfunded liability is the state's "decades-long failure to make its full employer contribution to the systems,"** even as participants continue to pay their own significant share;
- The state should consider **a new payment schedule** to replace the 1995 funding "ramp," and **new revenues** are required.

The Center for Tax and Budget Accountability (CTBA) testified during the Funding Subcommittee on Wednesday August 26, 2009, that despite oft-repeated claims to the contrary,

the primary cause of the state's pension funding woes have very little, if anything, to do with over generous benefits, high employee head counts or inflated costs.

“The state's failure to make its required employer contributions to the five pension systems stems from a state fiscal system that is so poorly designed it, for decades, failed to generate enough revenue growth to both maintain service levels from one year to the next, and cover the state's actuarially required employer contribution,” CTBA Executive Director Ralph Martire said.

Given that the state's poorly designed revenue system created the structural deficit that in turn incentivized elected officials to shortchange the state's employer contributions to its pension systems, pension funding reform is not possible without enhancing state revenue. In the Spring, members of the General Assembly will have to make a decision between maintaining the status quo or implementing an unpopular but desperately needed revenue enhancement.

For now, anyone who chooses to read the Task Force findings must proceed with caution when flipping through the Minority Report. Within the report one will easily find a series of strategically placed briefs, memos and letters that misrepresent the truth. The real facts are there – but it will require a bit of digging.

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If you would like more information about this topic, or to schedule an interview with Bukola Bello, please call 312-332-1103 or email Bukola at bbello@ctbaonline.org.

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