



The Commission on Government Forecasting & Accountability recently released their July 2007 Report on the Financial Condition of the Illinois Public Employee Retirement Systems, their study found that:

- From FY 1998 through FY 2006 the unfunded liabilities grew for all of the five state retirement systems, with the combined unfunded liabilities of the systems increasing by \$27.0 billion.
- Over the last nine years, the State of Illinois has contributed \$19.4 billion to the five retirement systems, of that amount \$7.3 billion was from the sale of \$10 billion in pension obligation bonds.
- The Teachers Retirement Systems has received by far the largest amount of contributions, totaling over \$10.9 billion. The Judges' and General Assembly Retirement Systems have received the smallest amount of contributions, as they have far fewer participants.

**Summary of Contributions State Retirement Systems, FY 1998-FY 2006 (\$ in Millions)**

Fiscal Years	TRS	SURS	SERS	JRS	GARS	Total
1998	466.9	201.6	200.7	15.7	3.1	888.0
1999	573.0	217.7	315.5	18.7	3.7	1,128.6
2000	634.0	224.6	340.9	21.4	4.0	1,224.9
2001	719.4	232.6	366.0	24.2	4.3	1,346.5
2002	810.6	240.4	386.1	27.5	4.7	1,469.3
2003	926.0	269.6	396.1	31.4	5.2	1,628.3
2004	5,357.6	1,743.7	1,864.7	178.6	32.9	9,177.5
2005	903.9	270.0	427.4	32.0	4.7	1,638.0
2006	534.6	166.6	203.8	29.2	4.2	938.4
Totals:	\$10,926.0	\$3,566.8	\$4,501.2	\$378.7	\$66.8	\$19,439.5

*\*FY 2004 State contributions include \$7.3 billion in proceeds from the sale of pension obligation ponds.*

- The total unfunded liabilities of the State retirement systems totaled over \$40.7 billion on June 30, 2006, led by the Teachers Retirement System (TRS) whose unfunded liabilities amounted to \$22.4 billion.
- As the largest of the State systems, TRS accounts for over half of the total assets and liabilities of the five state systems combined.
- At the beginning of FY 1998, Illinois' State funded retirement systems' total unfunded liabilities were approximately \$13.7 billion. At June 30, 2006, these liabilities stood at about \$40.7 billion, or 197% above the FY 1998 level.
- The primary cause of this increase, in order of impact, were insufficient employer contributions (when compared to contributions based on normal cost plus interest), increases in retirement benefits (essentially the increase in the benefit formula for TRS and SERS members in fiscal year 1998 and 2002 SERS ERI), lower than assumed investment returns, and to a lesser extent, underestimation of salary increases.
- The cumulative funded ratio for the State funded systems grew steadily from FY 1999 to FY 2000, mainly due to higher than assumed investment returns and adherence to the funding plan established in PA 88-593, which more than offset the increase in accrued liability caused by benefit increases.
- In FY 2002, the funded ratio fell to the lowest level since FY 1998 primarily due to investment returns totaling \$5.6 billion less than previously assumed.
- In FY 2003, investment returns continued to be lower than assumed (by \$2.2 billion), but not nearly as low as the previous two years. Investments began to bounce back in FY 2004, helping to increase the funded ratio.
- In addition, in 2003 the State sold \$10 billion in pension obligation bonds and used part of the proceeds to pay all of the contributions for FY 2004.
- The bond sale generated \$7.3 billion to reduce unfunded liabilities of the state funded retirement systems.

- The funded ratio remained relatively stable in FY 2005 and FY 2006 despite insufficient employer contributions, mainly due to very high investment returns.
- In accordance with the funding method contained in current law, the State appropriated \$1.37 billion to the State retirement systems in FY 2007.
- Under current law, required State contributions are expected grow to \$4.26 billion in FY 2015. These steady annual increases will support attainment of the 90% funded ratio goal in FY 2045.
- If the State continues funding according to current law, the accrued liabilities of the State retirement systems will increase from approximately \$108.8 billion at the end of FY 2007 to an estimated \$463.5 billion at the end of FY 2045. At the same time, assets are projected to increase from \$64.6 billion to \$417.1 billion. Consequently, the unfunded liabilities are projected to increase from \$44.2 billion at the end of FY 2007 to \$46.4 billion at the end of FY 2045, and the funded ratio is expected to decrease slightly from 59.4% in FY 2007, and then increase to 90.0% by the end of FY 2045.

**Funding Projections for the State Retirement Systems**  
**Projections Based on Laws in Effect on June 30, 2006**  
(\$ in millions)

<b>Fiscal Year</b>	<b>Annual Payroll</b>	<b>Total State Contribution</b>	<b>State Contribution as a % of Payroll</b>	<b>Total Employee Contribution</b>	<b>Accrued Liabilities</b>	<b>Assets</b>	<b>Unfunded Liabilities</b>	<b>Funded Ratio</b>
2007	15,132.2	1,372.3	9.1%	1,292.3	108,838.4	64,639.4	44,198.9	59.4%
2008	15,787.9	2,018.7	12.8%	1,343.2	114,409.7	67,429.7	46,979.9	58.9%
2009	16,428.1	2,739.1	16.7%	1,396.4	120,185.2	70,906.5	49,278.8	59.0%
2010	17,092.9	3,498.7	20.6%	1,449.9	126,141.1	75,122.9	51,018.2	59.6%
2011	17,772.6	3,641.9	20.6%	1,504.2	132,244.2	79,447.0	52,797.2	60.1%
2012	18,469.0	3,788.2	20.6%	1,559.7	138,473.2	83,864.4	54,608.7	60.6%
2013	19,188.6	3,939.6	20.6%	1,617.0	144,801.9	88,350.8	56,451.1	61.0%
2014	19,938.2	4,096.7	20.6%	1,677.8	151,219.9	92,900.9	58,319.0	61.4%
2015	20,725.3	4,261.5	20.6%	1,743.1	157,729.7	97,573.1	60,156.6	61.9%

Read the full report: Commission on Government Forecasting and Accountability Report on the Financial Condition of the Illinois Public Employee Retirement Systems, July 2007  
<http://www.ilga.gov/commission/cgfa2006/Upload/0707PERS.pdf>

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