Politics over policy: Swift "Reform", Questionable Savings, Delayed Consequences

Illinois Retirement Security Initiative * Briefing Paper, *REVISED* May 14, 2010

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On March 24, 2010, the Illinois General Assembly passed major public pension legislation that drastically reduces benefits for most future state and local public employees. If you blinked you may have missed it, it took both Chambers less than 12 hours to adopt and pass SB 1946, HA#4 in the House, by a vote of 92-17-7, and then concur and pass the bill in the Senate, by a vote of 48-6-3. The bill was signed into law [Public Act 96-0889] by Governor Quinn on April 14th.

This briefing paper examines the provisions and public policy implications of the new statute, which reduces retirement benefits for future public employees but fails to implement any real reforms needed to pay down the state's huge debt for pension benefits already earned by current employees and retirees.

Overview

Public Act 96-0889, amended provisions in 13 pension systems covered by the Illinois Pension Code, creating benefit changes for anyone hired after January 1, 2011.

The 13 affected pension systems are:

- the State Employees Retirement System (SERS);
- the Teachers' Retirement System (TRS);
- the State Universities Retirement System (SURS);
- the Judges' Retirement System (JRS);
- the General Assembly Retirement System (GARS);
- the Illinois Municipal Retirement Fund (IMRF);
- the Chicago Municipal Pension Fund;
- the Chicago Laborers' Pension Fund;
- the Chicago Teachers' Pension Fund;

- the Cook County Employees' Pension Fund;
- the Cook County Forest Preserve District Pension Fund;
- the Chicago Park District Pension Fund;
- the Metropolitan Water Reclamation District Pension Fund.

Excluded from the new statute are the pension systems covering uniformed police officers and fire fighters, both in Chicago and downstate, and deputy sheriffs covered by the Illinois Municipal Retirement Fund ("IMRF").

The bill specifically changes:

Normal Retirement Age – Currently, retirees in the state's five pension systems can retire at ages ranging from 55 to 62, provided they are vested (5-8 years, depending on the system). Their benefits are based upon their years of service and their final average salary, with maximum benefits taking anywhere from 34 to 45 years of service,[1] depending upon the system. Normally, benefits are reduced for those retiring under age 60. Under P.A. 96-0889, a retiree cannot claim unreduced benefits until age 67, and can claim reduced benefits at age 62 with 10 years of service. New employees seeking early retirement will have their pension benefits reduced by one-half of one percent for each month they retire prior to reaching age 67 (with less than 30 years of service credit), which equates to a 6% reduction per year.

Pensionable Salary – Prior to this bill, there were no caps on pensionable salary for retirees in the state's pension systems. Under P.A. 96-0889, the maximum pensionable salary will be $106,800, which is the current Social Security earnings limit. This maximum pensionable salary amount will increase by just ½ of the Consumer Price Index annually. With the exception of some SERS and IMRF employees, all workers in the other 11 systems affected by this bill are NOT covered by Social Security. However, the new law mandates pension contributions for new hires on all earnings, including those above $106,800, up to the federally-qualified limitation on defined benefit plans.

Final Average Salary – Currently, retirement formulas (years of service, final compensation, and age at time of retirement) for the teachers, state employees and state universities pension systems range from 1.67% to 2.5% of final average salary for each year of service credit earned. Under P.A. 96-0889, the pension calculation will equal the highest average salary earned during the 96 consecutive months that occur in the final 120 months of employment (Highest consecutive 8 years of last 10 years of service) and cannot exceed $106,800 annually (increased annually by ½ of the Consumer Price Index-U).

COLA – Currently, retirees in the state's five pension systems receive a cost of living allowance or "COLA" at 3% compounded. Under P.A. 96-0889, the applicable retirement annuity for new employees will be increased each year by 3% or ½ of the increase in the Consumer Price Index, whichever is less, with no compounding of interest. General Assembly members and Judges will continue to receive COLA's at 3% compounded. This provision is significantly inferior to Social Security and future Illinois public sector workers will see their retirement benefits fail to keep pace with inflation, thereby reducing their purchasing power annually.

Survivor Annuities – Currently, surviving spouses' annuities are equal to 50% of the retirement annuity earned and accrued to the credit of the deceased employee. Under P.A. 96-0889, all survivor annuities for new employees will equal 66 2/3 % of the participants' earned annuities at the time of their death.

Return to Work – Currently, there are no restrictions against receiving multiple pensions. Under P.A. 96-0889, new pension plan enrollees cannot receive a pension from one system and a salary from a public employer that participates in another Illinois public pension system. If someone receiving benefits from one Illinois public pension system covered by the Act is subsequently hired by another Illinois public employer covered by the Act, that

person's pension is suspended. However, when the individual ends his/her employment, his/her pension is reinstated.

Restructuring of the Funding Schedule for the Chicago Teachers' Pension Fund – Formerly, the Chicago Board of Education was required to adhere to the pension ramp schedule established under P.A. 89-0015, which amortized payments over a set period of time until Fiscal Year 2045. Public Act 90-0548 revised this funding plan to stipulate that the Chicago Board of Education need not make pension contributions unless the funded ratio drops below 90%.[2] P.A. 96-0889 further revises the funding plan to allow the Chicago Board of Education to pay just normal cost for the next three fiscal years (skipping the amortization payments required by P.A. 89-0015 and P.A. 90-0582), extends its funding schedule by 15 years, and underfunds the Chicago Teachers' Pension Fund by $1.2 billion over the next 3 years.

Alternative Formula (SERS) – Currently, under the State Employees' Retirement System Alternative Formula, employees can retire at age 55 with at least 20 years of service or at age 50 with at least 25 years of service. P.A. 96-0889 restricts this SERS alternative retirement benefit formula to only (1) state officers, (2) fire fighters working for any fire district, and (3) security officers employed by the Department of Corrections or the Department of Juvenile Justice. Moreover, while the alternative formula still applies to those individuals, the retirement age under the formula increases to 60, with at least 20 years of service.

State Universities Retirement System – P.A. 96-0889 allows a State University Retirement System ("SURS") participant the option to participate in a self-managed plan (Defined Contribution Plan) which is available to current SURS participants.

Questionable Savings

What struck many as odd about SB 1946, HA#4 (apart from the speed in which the bill passed) was the absence of any actuarial analysis. While the bill's proponents claim the pension changes will save the State somewhere between $500 million - $1 billion next fiscal year, the basis for that claim is unclear.[3] Even if savings are realized, they will neither come close to addressing the state's current budget shortfall of $13 billion for FY 2011, nor decrease by one dollar the state's existing unfunded pension liability of $77.8 billion or the additional liability of over $13 billion that is now carried as Pension Obligation Bonds. Moreover, to determine a proposal's real impact, a bill that changes benefits within the retirement systems should have any anticipated actuarial savings identified for consideration by the General Assembly before the legislation is enacted. In fact, the Commission on Government Forecasting and Accountability's (which prepares general studies and budgetary analyses for the General Assembly) pension impact note determined that savings associated with the bill are still being reviewed by the various systems' actuaries.[4] It cannot be denied that reducing benefits – albeit to the detriment of public sector workers and the state's economy – might produce savings.[5] However, without a complete, actuarial determination of the proposal's potential savings, lawmakers have prematurely claimed significant savings which may never materialize. In all probability, this new law will be used to provide political cover to reduce the state's pension contributions for fiscal year 2011, assuming that the funds can make even a reduced contribution.

Delayed Consequences

The most alarming provision in the bill is the intentional underfunding of the Chicago Teachers' Pension Fund ("CTPF") it authorizes, by allowing the Chicago Board of Education to reduce – significantly – the contributions it is required to make to the CTPF. Ironically, then, the bill authorizes Chicago Public Schools ("CPS") to engage in the very same irresponsible fiscal practice – underfunding its pension payments – that primarily caused the significant underfunding of the state's five retirement systems. Under this new law, the CPS employer

contributions established for FY 2011, FY 2012, and FY 2013 will be significantly less than the actuarially determined amount. How much less? Over the course of the MANDATED three-year pension holiday, the system will be shortchanged by $1.235 billion. What many do not realize is that this will result in an additional $12 billion in Chicago property tax dollars needed to cover the underfunding of the pensions over the next 30 years.[6] The new pension payment schedule will begin in FY 2014 and end in FY 2059. This should sound familiar. The General Assembly did the same thing in 2005, under Public Act 94-0004, which reduced the required State contributions to the retirement systems by $1.178 billion in FY 2006, and by $1.135 billion in FY 2007,[7] which in turn led to reduced contributions in FY 2008 and FY 2009.[8]

Reducing contributions in the early years of a funding plan increases the contributions that will be required in later years. The original funding plan that was implemented for the five State retirement systems under Public Act 88-0593 required the state to make **contributions** as a level percent of payroll in fiscal years 2011 through 2045, **[following a 15 year phase-in period that intentionally underfunded these systems which began in fiscal year 1996]**.[9] The justification given for the 15 years of underfunding was that total employer contributions, when added to employee contributions, investment income, and other income, would be sufficient to make all five systems 90% funded on an actuarial basis by FY 2045.[10] Now, more than ten years later, the existing pension ramp is severely outdated. The current pension ramp was predicated on the assumption that the state's aggregate unfunded liability would be substantially less than what it is today. The 2008 market collapse, however, significantly reduced the value of the state's pension assets. The result is any theoretical or anticipated long-term savings have to be reduced by very real long-term costs created by this market crash. By taking short-term savings today that the state thinks will materialize over the long-term under P.A. 96-0889, Illinois is taking the same reckless gamble it previously lost. The state should not be permitted to spend the present value of any hoped for long-term savings in the current fiscal year. That type of irresponsible fiscal practice is primarily responsible for the situation the state finds itself in today.

Short Term Gains = Long Term Problems

What seems to be lost is that short-term gains almost always produce long-term consequences. Anyone remember the Early Retirement Option? In 2002, Governor Ryan proposed offering current state employees (in both SERS and TRS) an early retirement incentive ("ERI"), as a way to free up revenue that otherwise would have gone to employees' salaries and benefits. It was anticipated that 7,300 employees would take the option, which would have saved Illinois $65 million in payroll related costs in FY 2003.[11] The state, however, underestimated how many people would take advantage of the ERI by almost 4,000 employees. So, for a 2003 salary savings and budget relief of $115.1 million, the 2002 ERI ended up costing $2.3 billion in increased unfunded liabilities to the state pension systems.[12] That is a whopping $1.7 billion more than the original estimate of $622 million.[13] The sole funding source policymakers identified to cover the ERI was savings from the projected reduction in payroll. What was the result? The U.S. Census Bureau's annual survey of state government employment shows that Illinois ranks 49th in the nation in state employees per capita — with just 54 state employees per 10,000 residents, a figure 36 percent below the national average of 85 state employees per 10,000 residents.[14] The same year that the General Assembly approved the ERI, Illinois maintained a ratio of 70 state workers per 10,000 population. The "short-term gain" for the FY

2003 budget of $115.1 million, turned out to be 20 times less than the long-term cost of $2.3 billion imposed on taxpayers. This particular short-term gain produced long-term consequences that still affects Illinois state and local government today.

What other short-term gains has the General Assembly proposed that could cause a myriad of long-term problems? For one, reducing the COLA for new hires is a huge gamble. **COLAs were implemented to provide inflationary protection for those that do not receive Social Security.** Teachers, state employees, fire fighters, police officers, university professionals, secretaries and groundskeepers constitute 78% of the public sector that will live on a fixed, modest income. According to the Bureau of Labor Statistics, metropolitan Illinois has seen significant increases in the cost of essentials like food, housing, healthcare, gasoline, utilities, transportation and medical care.[15] Overall, the cost of living increased by 17.8% during the 2001-2009 periods, when real wages for most Illinois workers were declining or stagnating.[16] The fact that a portion of the population receives a pension means that a large number of older American households avoid material hardships associated with inadequate food, shelter, and healthcare. The reduction in COLAs for many public employees mandated under this new law will in all likelihood increase the costs for the state in providing public assistance to those that once were able to handle the rising costs associated with inflation because their earned, pension benefit allowed them to do so.

Another short-term gain that creates long-term consequences is the increase in retirement age. At first glance, it seems like a sensible and fair way to reverse a projected shortfall. There are some professions, mainly non-labor intensive, where an older workforce does not pose a public safety risk or create significant concerns. However, there are some professions (teachers, fire fighters, and police officers) where an increased retirement age could do more harm than good. The Economic Policy Institute found that any increase in the normal retirement age is equivalent to an across-the-board benefit cut. Obviously this type of cut is harder for low-income workers to absorb, since they rely much more on Social Security to fund their retirement and to keep them out of poverty in old age.[17] Similarly, an increase in the earliest eligibility age disproportionately affects workers with lower socioeconomic status, since these workers have shorter retirements.[18]

Additionally, there is a strong and well-established link between socioeconomic status and life expectancy.[19] Whether or not low-income workers and other disadvantaged groups tend to retire at a younger age, their shorter life expectancy translates into shorter retirements on average. This is especially true for African-American males, more than a quarter of whom will die before reaching age 62 (earliest eligible age to claim Social Security), a mortality rate more than twice as high as that of the general population.[20] Moreover, the longer an individual is kept on payroll the higher that individual's salary. This means increased operational costs to the State and local governments in the form of healthcare, duty disability, insurance, salary and other benefits. This last scenario is especially true of teachers and law enforcement personnel, who tend to work long hours, suffer from stress related injuries (both physical and mental) and receive tenure or seniority wage increases.

Proponents of increasing the normal retirement from age 60 to age 67 do not believe it will affect Illinois' ability to attract and retain quality employees. Many argue that people looking for employment will not be turned off by such a high retirement age and will essentially ignore the

options available to them in other states. However, proponents of increasing the retirement age may be taken aback at the normal retirement benefit provisions of other states competing for Illinois' top workers. **Under P.A. 96-0889, Illinois will have the highest retirement age for teachers and public employees in the country**. Individuals will have to weigh the option to work until age 67, as educators in overcrowded poorly funded schools[21] or move to another state where the retirement age is much younger. [22] Future police officers and fire fighters will have to weigh the option of working until age 60 in a dangerous profession where potential for injury or disability is evident or moving to another state and retiring at a much younger age. [23]

Comparison of Retirement Plan Prior to SB 1946 as of December 2, 2009[24] Defined Benefit Retirement Plan Normal/Full Retirement Benefit Provisions[25]				
State	Normal Retirement Age and Service	Alternative Age and Service Combinations	Rule of…[26]	New Tier/New System[27]
California	Age: 55 Service: 5	None	None	None
Indiana	Age: 65 Service: 10	Age 60 15 years	Rule of 85 Minimum age 55	None
Iowa	Age: 65 Service: no provision	Age 62	88	Raised maximum employer and employee contribution rate to IPERS. (2006) Allowed for raises in employer contributions. (2008)
Kansas	Age: 65 Service: 1	20 years	85	New system for new members hired after 07/01/09. Vesting in 5 years instead of 10 years, final average salary based on 5 highest years of salary, retire at age 65 with five years of service, or age 60 with 30 years of service, early retirement at age 55 with 10 years of service, annual 2% COLA at age 65, employee contribution rate of 6%, employer contribution floor set at 6%, future cost increases will be equally shared by employer and employee. (2007)
Minnesota	Age: 66 Service: 3	None	90	Increase in employer and employee contribution rates to retirement system. (2006)
Missouri	Age: 62 Service: 5	None	80	None
New York Tier IV	Age: 62 Service: 5	Age 55 30 years	None	None
Wisconsin	Age: 65 Service: 1	Age 57 30 years	None	Increased firefighter and police contribution rates. (2009)
Illinois (before P.A. 96-0889)	Age: 60 Service: 8			85
Illinois (after P.A. 96-0889)	**Age: 67 Service: 10**	**Age: 60 Service: 20**	**None**	**See specific changes on page 2**

After the smoke clears and the ink from Governor Quinn's signature dries, the $77.7 billion unfunded pension liability will remain, as will over $13 billion in Pension Obligation Bonds, along with the state's dismal bond rating. David Vaught, Director of the Governor's Office of Management and Budget, testified in the House Personnel and Pensions Committee on March 24, 2010, that pension reform was desperately needed to improve the state's bond rating. It appears, however, that "pension reform" may not have been what the bond houses wanted to upgrade Illinois. Karen Krop, an analyst at Fitch Ratings, which placed Illinois' A rating on a watch list for a possible downgrade, said while the legislation is a positive sign, the negative watch, was due to the "magnitude and persistent nature of the state's fiscal problems." "We're still very concerned about their immediate budget problems," Ms. Krop said.[28] Under Fitch's Ratings system, there are two main triggers that result in a downgrade: 1) failure to enact budgetary measures that reduce the deficit on an ongoing basis and 2) failure to address the cumulative budget deficit and reduce the amounts payable balance.

The real reason for the state's perilous credit rating is not in dispute. **The persistent gap between state expenditures and revenues grows wider every year that Illinois prolongs a needed tax increase.** To make it even plainer – the state's financial crisis will worsen without new revenue. Illinois received devastating downgrades last year, which reflected the magnitude and persistent nature of the state's fiscal problems and the likelihood that the budget for upcoming FY 2011 will not sufficiently address either the annual operating deficit or accumulated liabilities. Contrary to popular belief, Illinois' ongoing operating deficits have not been caused by overspending. Despite having the fifth largest population in the nation, Illinois ranks just 43rd in General Fund spending as a percentage of state Gross Domestic Product.[29] The state's general fund cash position is weak and the state is increasingly relying on short-term borrowing and deferring vendor payments to create liquidity.[30] This is compounded by a backlog of $8.75 billion in unpaid bills for services already rendered and debt service on pension notes.[31]

Ironically, rather than create the ongoing capacity to fund services responsibly, Illinois continues to incur more debt. Starting in April 2010, the state will issue $1 billion in bonds for capital construction, authorized under a $31 billion capital plan. The state was also planning to sell $250 million of one-year General Obligation bonds on April 1.[32] The Governor also proposes to pay for about 20% of the state's General Fund operating budget for basic services, by borrowing $4.7 billion in FY 2011. Even worse, after borrowing that $4.7 billion from banks – there remains fully $5.7 billion of the governor's FY 2011 General Fund budget proposal of $24.5 billion that is not covered by any revenue source, debt or otherwise, at all. Illinois has become so addicted to borrowing to cover service costs, Governor Quinn has considered issuing bonds to pay money owed to human service providers,[33] and the higher education community was considering issuing bonds to stave off cuts to programs, staff, and avoid tuition hikes.[34] While reducing benefits appeases the editorial boards, it does nothing to turn the state's structural deficit around. So, while the two-tier pension program will be seen as a credit positive because it attempts to address an on-going funding challenge that may reduce the state's future liabilities, it is not going to help the state's credit rating much, if at all, today. Without enhancing revenue through a tax increase that addresses the state's structural deficit, the rating agencies will reduce

Illinois' bond rating even further, "pension reform" or not. If Illinois' ratings take additional hits resulting in less favorable interest rates,[35] the state will mirror California paying .75% (75 basis points) more or nearly $95 million - $100 million over the life of any new bonds (General Obligation Bonds and Build Illinois Bonds) that the State would issue.[36] This is money that the state simply does not have.

Finally, what is most problematic about the "pension reform" in P.A. 96-0889, is the fact that public pressure has allowed politicians to overlook the entire reason why public employee pensions were implemented in the first place. While the general public believes many public employees receive exorbitant, overly generous benefits, the truth is that the weighted average state employee pension is just $26,000 a year (according to the Commission on Government Forecasting and Accountability). Furthermore, 78% of current and former public workers do not receive Social Security benefits. The purpose of public employee pensions is to offset the costs that are associated with taking care of an aging and vulnerable population at a later date. Legislators have the responsibility to educate the general public to understand that costs associated with public pensions now, reduce the costs associated with public assistance later. The media has focused on taxpayers – as if public employees are exempt– and the tax burden associated with public employee pensions. The irony is that the private sector can stop paying benefits (health insurance, life insurance, pensions) anytime it chooses to. That option is simply not available to the public sector. If a retiree with insufficient income needs housing assistance, community based services or even help getting around, in many cases the State must provide that help. If a retiree has insufficient retirement benefits and needs non-cash assistance in the form of rent subsidies, utility assistance or food stamps, in many cases the state has to provide it. Or shall we say taxpayers will provide monetary means to enable the state to care for its aging citizens, who have worked a full career, contributed to society and simply want a modest standard of living in retirement. Taxpayers should equate public employee benefits to preemptive savings they realize today, rather than paying significant amounts later for public assistance. Unfortunately, when it comes to future public employees the 96th General Assembly has opted to pay later and ultimately pay more.

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[1] Teachers: 75% maximum divided by 2.2% per year = 34.1 years of service. State employees: 75% maximum divided by 1.67% per year = 44.9 years of service. Verified by Gregg Scott of the Commission on Government Forecasting and Accountability. May 17, 2010.

[2] Dan Hankiewicz. The Chicago Teachers' Pension Fund; Chicago Board of Education and State Contributions for FY 2011 and Beyond. Commission on Government Forecasting and Accountability. Monthly Briefing. February 2010.

[3] Rich Miller. *Pension Bill Zooms.* Capitol Fax. March 2010.

[4] Commission on Government Forecasting and Accountability, *Pension Impact Note*, SB 1946, HA#4, March 24, 2010.

[5] Pensionomics: Measuring the Economic Impact of State and Local Pension Plans. National Institute on Retirement Security: Washington DC. February 2009. www.nirsonline.org. State and local pension funds in Illinois and other states paid a total of $8.62 billion in benefits to Illinois residents in 2006. Retirees' expenditures from these benefits supported a total of $12.9 billion in total economic output in the state, and $6.1 billion in value added in the state. $8.3 billion in direct economic impacts were supported by retirees' expenditures on goods and services from businesses in the state. An additional $2.2 billion in indirect economic impact resulted when these businesses purchased additional goods and services, generating additional income in the local economy. $2.4 billion in induced impacts occurred when employees hired by businesses as a result of the direct and indirect impacts made expenditures, supporting even more additional income.

[6] Projected tax figures are produced by Goldstein & Associates: Actuaries and Consultants for the Public School Teachers' Pension and Retirement Fund of Chicago. Funding Projections Based on Senate Bill 1946. March 31, 2010.

[7] Commission on Government Forecasting and Accountability, *Report on the Financial Condition of the Illinois State Retirement Systems as of June 30, 2009*. March 2010.

[8] In FY 2006, the state was unable to meet the required contribution of $2.1 billion, actually paying less than half that amount. Under the ramp established under P.A. 94-004, the state owed over $2.5 billion for fiscal year 2008 and just three years later, over $4 billion. In later years the state owed between $11 and 15 billion.

[9] Level percentage of payroll amortization method is one of two acceptable accounting methods under the Governmental Accounting Standards Board (GASB) 45 for amortizing the present value that calculates amortization payments as a constant percentage of projected payroll over a given number of years. Level dollar amortization method generally results in decreasing inflation-adjusted payments over time (as many as to 30 years), whereas level percentage of payroll amortization generally results in level inflation-adjusted payments over time. Under GASB, the amounts required to pay off the nearly $80 billion in unfunded liability are not affected by the benefit level of future hires. Only the "normal cost" or generally represents the portion of the economic cost of the participant's anticipated pension benefits allocated to the current plan year (It is often different from accounting accrual cost or the cash outlay required in that year.) is affected.

[10] Id

[11] Illinois Office of the Comptroller, *Fiscal Focus Quarterly,* July 2002.

[12] Commission on Government Forecasting and Accountability, *Report on the Cost and Savings of the State Employees' Early Retirement Incentive Program*, June 2006.

[13] State of Illinois FY 2006 Budget Book.

[14] US Census data by government function for each state government. Figures for 2008 released 10-26-09 at http://www2.census.gov/govs/apes/08stall.xls. Figures for previous years accessed via http://harvester.census.gov/datadissem/. US Census population estimates at http://www.census.gov/popest/states/tables/NST-EST2008-01.xls.

[15] Center for Tax and Budget Accountability, SWIL: *State of Working Illinois Report.* 2009

[16] Id

[17] Garr, Emily and Morrissey, Monique. *Working the Graveyard Shift: Why raising the Social Security retirement age is not the answer.* Economic Policy Institute. Briefing Paper #232. May 5, 2009

[18] Id

[19] Id

[20] Id

[21] Money Matters: How the Illinois School Funding System Creates Significant Educational Inequities that Impact Most Students in the State. Center for Tax and Budget Accountability. September 2008.

[22] According to the National Institute of Technical Teachers' Training and Research, many researchers have identified sources of stress among post-secondary faculty members. In the last two decades, intensive research conducted in the US and Europe found many symptoms of stress in

teachers. Studies show that stress is commonly associated with rapid pace changes in education, particularly during the 1980s and 1990s. R. Ravichandran and R. Rajendran. "Perceived Sources of Stress Among Teachers." Journal of the Indian Academy of Applied Psychology, January 2007, Vol. 3, No. 1 133-136.

[23] Public Safety personnel are more likely to interface with potentially dangerous levels of traumatic stress in the wake of a disaster in their normal course of business. The degree to which disaster-related stress is experienced as a harmful influence varies according to a number of individual and situational factors. Public Safety Fact Sheets. Disaster Mental Health. www.georgiadisaster.info. March 2010.

[24] Comparison of Benefit Design for State of Illinois and Peer Systems. The Segal Company. Benefits, Compensation & HR Consulting. December 2, 2009.

[25] Normal and Full Retirement Benefit Provisions only include defined benefit plans as compared to the Illinois' five state funded systems. Other primary plans may have higher retirement ages and longer years of service where defined contribution plans are the dominant plan. This study only evaluated Defined Benefit plans.

[26] The "Rule of" column refers to eligibility for retirement for state employees whose years of service and age equal a set amount of years, e.g., a "Rule of 85" would allow a 55 year old worker with 30 years of service (55 + 30 = 85), to retire without a reduction.

[27] "State Pension Changes Enacted: 2006-2009" National Public Pension Coalition.

[28] NASRA News Clips. With bond rating downgrade looming, Illinois Legislature hastily approves pension reform affecting new hires. March 31, 2010.

[29] Annual Fiscal Survey of the States by the National Association of State Budget Officers and National Governor's Association. Illinois' total General Fund spending was 3.49% of state Gross Domestic Product in 2008. Average state expenditure share, or the sum of all state GF expenditures as a share of US GDP, was 4.85%. A very rich state might be able to have a relative low capacity measure above like 43rd, but still be able to provide high levels of per-capita state funding. Unfortunately Illinois does not. Illinois GF spending per capita ranks 37th among the states based on the same NASB/NGA 2008 survey and Census 2008 Illinois population estimate.

[30] Melanie Shaker. *Fitch Downgrades Illinois' GO Bonds to 'A-'; Remains on Watch Negative Ratings*. March 29, 2010.

[31] Daniel W. Hynes, Comptroller. The Illinois State Comptroller's Quarterly. "Fiscal Position Continues Downward Slide". Edition 34, January 2010. In January the Comptroller's Quarterly estimated that the state will have a backlog of $8.75 in unpaid bills by the start of FY2011, and $5.1 billion as of December 2010.

[32] Id

[33] Public Act 96-0885 adds G.O. authorization of $250 million for Medicaid Enhancement Funding. Proceeds from the sale are used to make deposits into the Healthcare Provider Relief Fund for the exclusive purpose of funding Medicaid services subject to the enhanced federal participation due to expire on December 31, 2010.

[34] SB 642, Amends various Acts relating to the governance of public universities in Illinois. Provides that the governing board of each public university shall have the power to borrow money, as necessary, from time to time in anticipation of receiving tuition, payments from the State, or other revenues or receipts of the university, provided that the money shall be repaid within 12 months after the time the money is borrowed and the amount borrowed shall not exceed stated amounts.

[35] The State Column "Bond Rates Questioned in California, New Jersey and Illinois". March 30, 2010. Illinois' rating on $23.4 billion of municipal bonds was cut one level to A- by Fitch Ratings, which cited a rising budget deficit in the next fiscal year for the second-lowest rated state after California. The fiscal 2011 budget "will not sufficiently" address the estimated general fund gap, expected to total $9.3 billion, or 33 percent of revenue, Fitch said in a report today. Fitch kept the state on a ratings watch list for a possible further downgrade from the fourth-lowest investment grade. The lower ranking may raise the state's borrowing cost as it comes to market with more than $1 billion of new debt and investors demand a higher yield. Standard & Poor's cut the state's rating March 26 by one level to A+, its fifth-highest, and Moody's Investors Service today assigned an A2 rating with a negative outlook, meaning the bonds may be downgraded.

[36] Governor's Office of Management and Budget. April 2010