



## How Much Are State Pension Payments Worth to Illinois School Districts?

JUNE 23, 2017

The Teachers Retirement System (TRS) is the pension system for all Illinois public school teachers outside the City of Chicago. A significant part of the funding for TRS comes from the employee contributions made by teachers. The rest comes from the state, using tax dollars collected across Illinois, or from investment returns.

Given that the Chicago Public Schools' (CPS) is the only public school district in Illinois that has the responsibility to fund its pension system (the Chicago Teachers' Pension Fund, or CTPF), it is easy to analyze precisely how the CTPF retirement system is funded. TRS, on the other hand, aggregates payments across all other districts in the state. This makes it difficult to determine how much any given district has benefited from the state payments made to cover the cost of that district's pension obligations.

To shed light on this question, the Center for Tax and Budget Accountability (CTBA) has estimated how much each district benefits on a per-pupil basis from the state's pension contribution to TRS. CTBA has broken this payment out into the Normal Cost (NC), the amount that covers the benefits being earned by current employees in the year of payment; and the Legacy Cost (LC), the debt service the state owes to TRS from decades of underfunding.

To estimate the share of the state's Normal Cost payment belonging to each school district, CTBA found each district's share of the total state teacher payroll. Then that share was multiplied by the state's total Normal Cost payment in FY2016 as reported in the 2016 TRS Actuarial Valuation.

To estimate the share of the state's Legacy Cost payment belonging to each district, CTBA found each district's share of Net Pension Liability, as reported in TRS' "Information Required Under Governmental Accounting Standards Board Statement No. 68." Then that share was multiplied by the state's total Legacy Cost payment for FY2016.

Figure 1 shows the results, highlighting suburban Chicago counties, along with the rest of state.

**Figure 1: Estimated Share of State Contributions to TRS (FY2016)**

| Region                  | Total Legacy Cost Share | Total Normal Cost Share | Legacy Payment per Pupil | NC Payment per Pupil | Total State Pension Payment per Pupil |
|-------------------------|-------------------------|-------------------------|--------------------------|----------------------|---------------------------------------|
| <b>Chicago</b>          |                         |                         |                          |                      |                                       |
| <b>Surburbs (Total)</b> | \$1,746,000,000         | \$579,000,000           | \$1,880                  | \$620                | \$2,500                               |
| <i>Cook</i>             | \$735,000,000           | \$241,000,000           | \$2,010                  | \$660                | \$2,670                               |
| <i>Lake</i>             | \$235,000,000           | \$82,000,000            | \$1,790                  | \$620                | \$2,410                               |
| <i>McHenry</i>          | \$75,000,000            | \$28,000,000            | \$1,524                  | \$560                | \$2,084                               |
| <i>Will</i>             | \$166,000,000           | \$57,000,000            | \$1,490                  | \$510                | \$2,000                               |
| <i>DuPage</i>           | \$314,000,000           | \$110,000,000           | \$2,080                  | \$730                | \$2,810                               |
| <i>Kane</i>             | \$221,000,000           | \$61,000,000            | \$1,890                  | \$520                | \$2,410                               |
| <b>Downstate</b>        | \$946,000,000           | \$317,000,000           | \$1,420                  | \$480                | \$1,900                               |
| <b>CPS</b>              | \$0                     | \$12,100,000            | \$0                      | \$33                 | \$33                                  |

An important aspect of this system is that, because pension payments for non-CPS school districts are paid for with taxes collected statewide, Chicago residents pay a portion of suburban and downstate teacher pensions. CTBA estimates that in FY2016, about \$230 million in individual income taxes collected in the City of Chicago were used to make the state contribution to TRS. **In FY2018, because of the rising cost of the state's contribution and the income tax increase, CTBA estimates that about \$315 million in individual income taxes collected in the City of Chicago will be used to make the state contribution to TRS.**

To determine the amount of income tax revenue paid by Chicago residents going to the state's TRS payment for other school districts, CTBA: First, found the percentage of total General Fund spending represented by the TRS payment; second, applied that percentage to the total individual income tax revenues collected from residents of the City of Chicago, according to the Illinois Department of Revenue (**IDOR**). However, because the most recent data from IDOR is from tax year 2014, when the individual income tax rate was 5 percent, CTBA adjusted the final number to reflect the 3.75 percent rate effective in tax year 2016.

---

---

**FOR MORE INFORMATION:**

Ralph M. Martire,  
Executive Director  
(312) 332-1049;  
rmartire@ctbaonline.org

Bobby Otter,  
Budget Director  
(312) 332-2151;  
botter@ctbaonline.org

Daniel Hertz,  
Senior Policy Analyst  
(312) 332-1481;  
dhertz@ctbaonline.org