The Civic Federation

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UNFUNDED PENSION LIABILITIES PER CAPITA FOR STATE AND LOCAL FUNDS REACH NEARLY $20,000 PER CHICAGO RESIDENT

(CHICAGO) A Civic Federation report released today examines the continued funding decline of Chicago-area public employee pension funds. For all pension funds supported by the taxes of Chicago residents, including statewide funds, total unfunded liabilities reached $131.9 billion in fiscal year 2012, the most recent audited data available for all the funds. This equates to a pension liability of $19,579 per Chicago resident.

The report also summarizes recent pension reform legislation enacted by the Illinois General Assembly including reforms for the City of Chicago Municipal and Laborers' Funds, the Chicago Park District Fund and the MWRD Retirement Fund, all of which have or will go into effect after the time period analyzed in this report. "The pension funding crisis in Illinois is the result of decades of insufficient oversight and ignorance of actuarial reality," said Laurence Msall, president of the Civic Federation. "Even with recent reforms, it will be many years before these funds are fully stabilized."

Each of the ten Chicago-area public employee pension funds analyzed in the report experienced sharp funding declines in the last decade. On average, the ten funds had an actuarial funding level of 45.5% in FY2012, down from 74.5% in FY2003. All ten funds are now funded below 60%, ranging from a low of 24.4% for the Fire Fund to a high of 59.4% for the CTA Fund.

The declining health of Chicago-area public pension funds is due in large part to inadequate employer contributions over a sustained period and recent investment losses. All of the local funds analyzed received their statutorily required employer contributions in FY2012. However, the employer contribution level set by State statute was approximately $1.9 billion short of the $2.8 billion level necessary to cover current costs for the funds and reduce their unfunded liabilities over 30 years.

Adequate funding levels are likely to be even more difficult to attain in the future because the funds have fewer employees to support a rising number of beneficiaries. In FY2012 the ten funds had 1.11 active employees to every beneficiary, down from 1.55 actives per beneficiary in FY2003. The Police, Laborers', MWRD, Forest Preserve and CTA Funds all had more beneficiaries than actives in FY2012.

The full 84-page report, available at www.civicfed.org, is intended to provide policymakers, pension trustees, pension fund members and taxpayers with the resources to make informed decisions regarding public employee retirement benefits. The Federation's analysis reviews the FY2012 actuarial valuations reports and financial statements for the City of Chicago's Police, Fire, Municipal and Laborers' Funds, the Chicago Teachers' Pension Fund and the pension funds of Cook County, Forest Preserve District of Cook County, Chicago Park District, Metropolitan Water Reclamation District and the Chicago Transit Authority.

The Civic Federation is an independent, non-partisan government research organization that promotes efficient delivery of public services and sustainable tax policies in the Chicago region and the State of Illinois. For more information, please visit the Federation's website at www.civicfed.org.