The Civic Federation

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AGGREGATE UNFUNDED LIABILITY FOR CHICAGO-AREA PUBLIC PENSION FUNDS INCREASED BY $4.6 BILLION IN FY2011

(CHICAGO) A Civic Federation report released today examines the continued funding decline of Chicago-area public employee pension funds. Unfunded liabilities for the ten funds analyzed in the report increased to $32.0 billion in fiscal year 2011 from $27.4 billion in fiscal year 2010, an increase of 16.7% according to the most recent audited data available. For all pension funds supported by the taxes of Chicago residents, including statewide funds, the total unfunded liabilities reached $16,914 per Chicago resident in FY2011.

"Without comprehensive reforms, this staggering level of pension obligations will soon mean dramatic tax increases, significant service cuts or both for Chicago residents," said Civic Federation President Laurence Msall. "Illinois and local lawmakers owe it to taxpayers and public employees to agree on reforms that will significantly reduce pension costs for our state and local governments and ensure that the funds remain solvent for current and future public employees." In the report, the Federation urges local governments to develop pension reform frameworks suited to their own employee population, statutory provisions and funding levels. The report cites Cook County Commissioner Bridget Gainer's OpenPensions.org site as an example of transparently advocating for changes tailored to the needs of the County's pension fund.

Each of the ten funds analyzed in the report experienced sharp funding declines in the last decade. On average, the ten funds had an actuarial funding level of 50.8% in FY2011, down from 80.3% in FY2002. All ten funds are now funded below 65%, ranging from a low of 28.3% for the Fire Fund to a high of 64.9% for the Laborers' 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 FY2011. However, the employer contribution level set by State statute was approximately $1.6 billion short of the $2.5 billion level necessary to cover current costs for the funds and reduce their unfunded liabilities over a 30-year timeframe.

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 FY2011 the ten funds had 1.16 active employees for every beneficiary, down from 1.65 actives per beneficiary in FY2002. Six of the ten funds – the Police, Laborers', MWRD, Forest Preserve, CTA and Park District Funds – had more beneficiaries than active employees in FY2011.

The Federation's analysis reviews the FY2011 actuarial valuation 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. FY2011 data is the most recent audited data available for all ten funds.

The full 79-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 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.