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Illinois Pensions 101

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ABOUT THE CIVIC FEDERATION

- Members include major corporations and service firms
- Independent and nonpartisan
- Founded in 1894
- We promote:
 - Sustainable tax and fiscal policies
 - Responsible long-term financial planning
 - High quality, efficient government services

Membership opportunities and more information at civicfed.org

www.civicfed.org



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Presentation Overview

- Public Pension Vocabulary
- Current Condition of Major Illinois Public Pension Funds
- What's been tried? Ten years of funding and benefit changes to public pensions in Illinois



Public Pension Terms

Funded Ratio: Ratio of pension assets to liabilities. How much funding does a pension plan have compared to benefits earned to date by active and retired members?

Unfunded Liability: Pension liabilities minus assets. The amount of liabilities not covered by assets.

ARC/ADC: Annual Required Contribution/Actuarially Determined Contribution. A financial reporting requirement for pension funds and governments. The sum of estimated cost of pension benefits earned each year and an amount to pay off unfunded liabilities over a certain period of time.



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Public Pension Terms, continued

Pension Protection Clause: Article XIII, Section 5 of the 1970 Illinois Constitution states:

“Membership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.”



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Current Condition of Major Illinois Public Pension Funds

State Pension Funds (2017)	Local Pension Funds (2016)
Teachers': 40.2%; \$73.4 billion	Chicago Municipal: 30.5%; \$10.5 billion
SERS: 35.5%; \$30.1 billion	Chicago Police: 23.7%; \$9.8 billion
SURS: 44.4%; 23.3 billion	Chicago Teachers': 52.5%; \$9.6 billion
IMRF*: 88.9%; \$4.6 billion	Cook County: 56.7%; \$7.2 billion
*Illinois Municipal Retirement Fund – funded locally by municipalities. Data FY2016.	Chicago Fire: 21.3%; \$4.0 billion



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Major Public Pension Change Initiatives 2010-2017

- New employee benefit changes for nearly all pension funds in the State of Illinois: 2010
- State and Local Pension Benefit and Funding Changes: 2013-2014
- Chicago and Cook County Funding Changes: 2016-2017



What's Next?

- Can the state and local governments simply fund their way out of the problem?
 - Maybe some can--but at what cost of crowding out?
 - And what about the ones that can't? (Harvey, etc.)
- Negotiated reforms between management and labor
- Consideration
- Consolidation
- Constitutional amendment



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THANK YOU

- Happy to answer questions
- Visit civicfed.org for more information

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