



ILLINOIS HAS DOUBLE THE TROUBLE of most states: a severely underfunded pension system and some of the steepest bills in the country for retiree health care benefits. On the pension side, Illinois has one of the poorest-funded systems in the country. While the state has made a number of reforms, it still is underfunding its annual contributions. On an aggregate basis, the state contributed only about 44% of what its own actuaries deemed necessary in 2005, and only 33% in 2006. Illinois' precarious finances will be further aggravated by what is likely to be a significant liability for non-pension benefits. Illinois offers substantial retiree health benefits to public sector employees, and while the state has not yet determined the long-term cost of doing so (officials say an actuarial valuation is now in progress), the Civic Committee of the Commercial Club of Chicago has estimated the price tag for state employees at \$48 billion.

PENSIONS

TOTAL BILL COMING DUE: **\$103 billion**¹

FUNDS SET ASIDE: **\$62 billion**

PORTION UNFUNDED: **\$41 billion**

PERCENT FUNDED: **60 as of 2006**²

TEN YEAR FUNDING HIGH: **75% in 2000**


TEN YEAR FUNDING LOW: **49% in 2003**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Illinois' three largest funds assume 8.5% interest on pension investments compared to a 50-state median of 8%. It's one of a handful of states that values its assets on a fair market basis rather than smoothing out gains and losses over time. This means that a downturn or upswing in the stock market will be reflected in its pension funding levels immediately. As of 2006, Illinois was using a 40-year amortization period, which does not conform to accounting standards. (The Governmental Accounting Standards Board establishes the time used to amortize pension benefits as 30 years or less.)

¹ Pension funds include state employees, judges, the general assembly, teachers and state universities.

² 50-state mean was 82%.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$48 billion**¹

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$48 billion**²

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ Estimated; for state employees.

² Estimated; 709% of covered payroll, compared to a national median of 135%.

REFORMS: Illinois established a pension stabilization fund in 2006; it also has enacted a series of offers to encourage employees to opt out of the retirement system in exchange for a lump sum payment. Legislation in the last several years has targeted salary "spiking," changing the way that employees calculate the final salary on which their pension is based. In addition, the state has required that school districts and universities provide partial funding to the pension system for any salary hikes for their employees that exceed 6% and would affect the final salary calculation on which pension benefits are based. In 2003, the legislature authorized the use of \$10 billion in pension obligation bonds, which helped move the state from about a 49% funding level in 2003 to a 64% funding level in 2004.



The Pew Charitable Trusts applies the power of knowledge to solve today's most challenging problems. Our Pew Center on the States identifies and advances effective policy approaches to critical issues facing states.
2005 Market Street, Suite 1700 | Philadelphia, PA 19103 | www.pewtrusts.org