Commission on Government Forecasting and Accountability

MONTHLY BRIEFING *JANUARY 2011*

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703 Stratton Ofc. Bldg.
Springfield, IL 62706

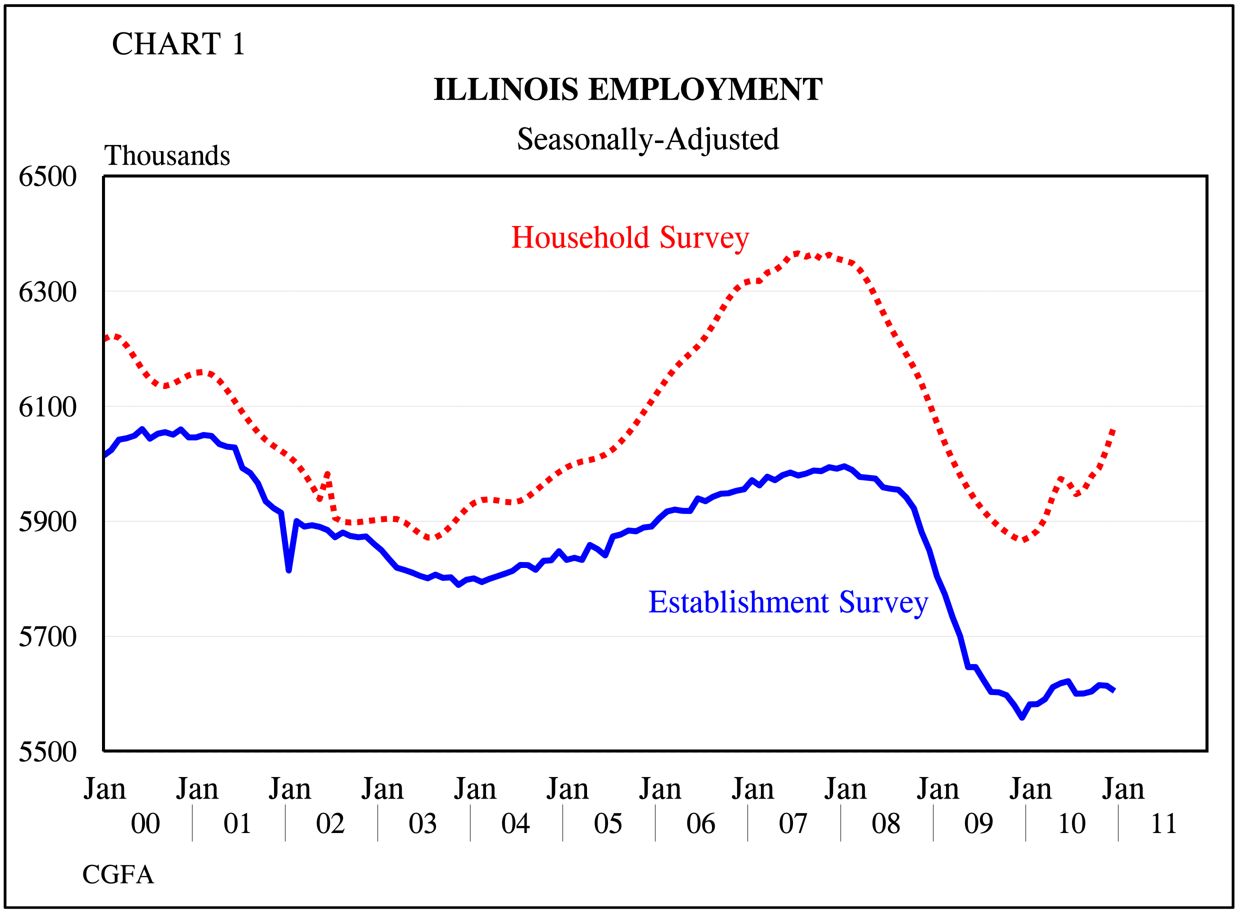
ECONOMY: Illinois Employment, A Closer Look

Edward H. Boss, Jr., Chief Economist

The unemployment rate in Illinois fell at year-end to 9.3% for the ninth consecutive time dropping below the national rate of 9.4% for the second consecutive month. While this was the first time since March 2006 that the State rate was below the national rate for two consecutive months, a closer look at employment in the State perhaps suggests a somewhat less exuberant picture. At the same time that the unemployment rate was falling in Illinois, payroll employment also was declining for the second consecutive month in contrast to national data where payroll employment has risen in each of the past three months. The apparent dichotomy is due in large part to the way employment and unemployment is measured and suggests a closer look at the data may be warranted to provide a clearer picture of the State's employment situation.

The unemployment rate is determined from data derived from a sample of 60,000 households including the self-employed, unpaid family workers, agricultural workers, and private household workers that are excluded in the payroll employment statistics. Those who worked or were actively seeking a job in the survey are counted as in the work force. The unemployment rate then is the percent of people in the workforce who were not working during the survey week. Thus, the unemployment rate is affected not only by the number reported as employed but also the number of people considered in the labor market.

A more comprehensive employment measure is the Establishment Survey that measures payroll employment. This survey incorporates 140,000 businesses and government agencies representing 410,000 worksites, with an active sample including approximately one third of all non-farm payroll employees. While both the Household and Establish-



ment Survey have some problems, most analysts consider the Establishment Survey to provide the harder data. Chart 1 shows both employment measures for Illinois. As illustrated, the majority of gains in employment in the State have been from the Household Survey. Household employment increased a sharp 3.4% since December a year ago in contrast to a much smaller 0.8% increase in payroll employment. This is in contrast to the rate of increase in national employment in which both measures rose by similar rates.

It is quite common for movements in the Household Survey to lead that of the Establishment Survey, in part because new small employers are the largest creators of new jobs but take some time before they are included in the company payroll survey. As time goes on, and we are some 19 months into the current recovery, the two measures become more in sync. While this has happened at the national level it has not in Illinois. Thus, the recent declines in Illinois' unemployment rate to below the national rate also reflect the size of the labor force. As pointed out in a recent study by Moody's/Economy.com for the Commission, the State's active labor force shrank by 2% from the start of 2008 through 2009 and has recovered only half that gap since, whereas the national labor force remains near its pre-recession level. In other words, a portion of the recent decline in the State unemployment rate comes from those discouraged from looking for work rather than from job growth. Finally, as pointed out in earlier Monthly Briefings, unlike the nation as a whole, the last recession started before recouping all the payroll jobs lost during the previous recession. This deficit has yet to be closed.

In conclusion, it is clear that the State employment picture has improved over 2010 from its low reached about a year earlier. At the same time, caution should be taken not to overstate this improvement based on the performance of the unemployment rate alone.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS	DEC. 2010	NOV. 2010	DEC. 2009
Unemployment Rate (Average)	9.3%	9.6%	11.0%
Annual Rate of Inflation (Chicago)	4.0%	-1.5%	1.2%

	LATEST MONTH	% CHANGE OVER PRIOR MONTH	% CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (December)	6,593	0.3%	1.5%
Employment (thousands) (December)	5,866	0.6%	3.4%
New Car & Truck Registration (December)	37,036	14.6%	8.7%
Single Family Housing Permits (December)	355	-46.3%	-26.3%
Total Exports ($ mil) (November)	4,298	-9.3%	16.4%
Chicago Purchasing Managers Index (January)	68.8	3.0%	8.6%

Impact of P.A. 96-1496 on State Revenue

Eric Noggle, Senior Revenue Analyst

In January 2011, P.A. 96-1496 was signed into law creating the first significant revenue-producing enactment in many years. Highlights of the new public act are as follows:

- **Increase Individual Income Tax Rate.** Increases the personal income tax rate from 3% to 5% in tax year 2011; to 3.75% in tax year 2015; and, to 3.25% in tax year 2025.

- **Increase Corporate Income Tax Rate.** Increases the corporate income tax rate from 4.8% to 7% in tax year 2011; to 5.25% in tax year 2015; and, to 4.8% in tax year 2025.

- **Reinstates Estate Tax.** There was no federal or State estate tax during calendar year 2010. P.A. 96-1496 reinstates the Illinois estate tax for calendar 2011 and thereafter. The Illinois estate tax exempts the first $2 million of an estate, which is less than the current $5 million federal exemption.

- **Temporarily Eliminate Net Operating Loss Deduction.** In the case of a corporation (other than a Subchapter S corporation), P.A. 96-1496 provides that no carryover deduction shall be allowed for tax years 2011, 2012, and 2013; provided that, for purposes of determining the taxable years to which a net loss may be carried, no taxable year for which a deduction is disallowed shall be counted.

Below are the Commission's preliminary estimates of how much new revenue the State should expect to receive from these revenue-related tax changes:

New Revenues Under P.A. 96-1496
as Compared to Current Law ($ in millions)

	Net Revenues (Net of Refund $)			New	Total
	Pers. Income Tax Increase	Corp. Income Tax Increase	Suspension of Net Oper. Loss	Estate Tax Revenues	New Net Revenues
FY 2011	$2,326	$236	$85	$0	$2,647
FY 2012	$5,828	$686	$312	$183	$7,009
FY 2013	$5,962	$702	$319	$275	$7,258
FY 2014	$6,099	$718	$326	$275	$7,418

Note: Estimate assumes a growth rate of 2.3% for income tax sources.

Revenues from the pre-existing income tax rates will continue to be distributed as they were before. However, a portion of the new revenues will go into two new funds: the Fund for the Advancement of Education and the Commitment to Human Services Fund.

The public act states that the tax increases would be eliminated if State spending for a fiscal year exceeds the State spending limitation amount, which is set in the act as follows: FY 2012: $36.818 billion; FY 2013: $37.554 billion; FY 2014: $38.305 billion; and FY 2015: $39.072 billion.

FY 2011 Tax Amnesty Update

Eric Noggle, Senior Revenue Analyst

Revenue totals from the amnesty program continued to increase in FY 2011 as additional revenues categorized as “amnesty revenues” were reported in January 2011. Although the FY 2011 amnesty collection period (which ran from October 1, 2010 to November 8, 2010) has been completed, additional amnesty-related revenues were receipted in the latest month due to typical delays in processing the amnesty monies.

As reported in the Commission’s previous Monthly Briefings, Comptroller records indicated that approximately $546.7 million in revenues cited as amnesty related money was shown to be collected in November 2010 and another $81.3 million was collected in December 2010. ***In January 2011, an additional $55.7 million in amnesty-related revenues were receipted bringing the cumulative total to $683.7 million.***

Of the $683.7 million collected thus far, $501.5 million is categorized as general funds. Removing refund funds from the figure, approximately $419.4 million in net general funds has been reported. A table displaying these figures is shown below.

Again, as stressed in the November summary, the vast majority of these revenues are likely an acceleration of tax revenue that would have ultimately been collected later in FY 2011 or in subsequent fiscal years. The Commission anticipates the Department of Revenue providing official figures in the near future on how much of the amnesty receipts are actually “new” revenues and how much are revenues that would have been collected anyway in FY 2011 and beyond.

FY 2011 AMNESTY TOTALS (thru January 2011)

	Revenue Source:	1901	1905	1906	1923	1908, 1909, 1916, 1940	Misc.
Fund	**TOTALS**	**Retailers Occup. Tax**	**Indiv Income Tax**	**Corp Income Tax**	**Pers Prop Repl Tax**	**Public Utility Taxes**	**Other Taxes**
Common School	$180,428,931	$61,435,342	$16,906,523	$99,562,710	$0	$2,500,026	$24,331
Common School Special Acct.	$40,956,894	$40,956,894	$0	$0	$0	$0	$0
Education Assistance	$18,343,590	$0	$2,662,732	$15,680,858	$0	$0	$0
General Revenue	$179,702,658	$61,435,342	$16,906,523	$99,562,710	$0	$1,785,997	$12,087
Income Tax Refund	$82,022,539	$0	$3,576,057	$78,446,483	$0	$0	$0
General Funds Subtotal:	**$501,454,613**	**$163,827,577**	**$40,051,835**	**$293,252,760**	**$0**	**$4,286,022**	**$36,418**
% of General Funds Subtotal:		32.7%	8.0%	58.5%	0.0%	0.9%	0.0%
Net General Funds:	**$419,432,074**	**$163,827,577**	**$36,475,779**	**$214,806,277**	**$0**	**$4,286,022**	**$36,418**
% of Net General Funds:		39.1%	8.7%	51.2%	0.0%	1.0%	0.0%
Build Illinois	$9,863,778	$9,863,778	$0	$0	$0	$0	$0
Home Rule County ROT	$1,783,070	$0	$0	$0	$0	$0	$1,783,070
Home Rule Municipal ROT	$1,965,137	$0	$0	$0	$0	$0	$1,965,137
IL Gaming Law Enforcement	$12,380	$0	$0	$0	$0	$0	$12,380
IL Tax Increment	$479,859	$479,859	$0	$0	$0	$0	$0
Long Term Care Provider	$58,469	$0	$0	$0	$0	$0	$58,469
Motor Fuel Tax	$63,421	$0	$0	$0	$0	$0	$63,421
MPEA Trust	$107	$0	$0	$0	$0	$0	$107
Municipal Auto Renting Tax	$3,306	$0	$0	$0	$0	$0	$3,306
Personal Property Tax Replacement	$146,152,065	$0	$0	$0	$146,047,542	$104,522	$0
Public Utility	$1,539	$0	$0	$0	$0	$1,539	$0
RTA Sales Tax	$1,797,299	$0	$0	$0	$0	$0	$1,797,299
School Infrastructure	$713,003	$0	$0	$0	$0	$713,003	$0
State and Local Sales Tax Reform	$5,672,389	$5,672,389	$0	$0	$0	$0	$0
Tax Compliance & Admin.	$13,711,930	$3,783,451	$817,387	$8,965,312	$0	$142,165	$3,615
Underground Storage Tank	$3,025	$0	$0	$0	$0	$0	$3,025
Total Sum:	**$683,735,390**	**$183,627,055**	**$40,869,223**	**$302,218,072**	**$146,047,542**	**$5,247,251**	**$5,726,247**
% of Total:		26.9%	6.0%	44.2%	21.4%	0.8%	0.8%

REVENUE

January Revenues Fall Due To Federal Sources – Other Areas Mixed

Jim Muschinske, Revenue Manager

Overall revenues fell $49 million in January as a comparatively weak month for federal sources erased all other gains. About the same number of sources grew as fell in January. There was one extra receipting day for the month when compared to last year.

Gross personal income tax grew $112 million, or $113 million net of transfers. It's likely that the monthly gain was due to recent enactment of a higher tax rate per P.A. 96-1496. Sales taxes rose by $68 million for the month, with $5 million attributed to receipts related to the amnesty period. Other sources grew $3 million, insurance taxes by $2 million, and interest income rose by $2 million.

Despite a rise in the tax rate, gross corporate income tax receipts fell $19 million, or $18 million net of refunds. Due to timing of corporate income tax payments, they have yet to reflect the tax increase. As expected, inheritance tax continues to fall, down $11 million for the month. Despite reinstatement of the estate tax for calendar 2011 and thereafter per P.A. 96-1496, an approximate ten month lag from date of death to estate settlement will result in continued weakness through the remainder of FY 2011 and into the first third of next fiscal year before receipts will return to earlier levels. Corporate franchise taxes were off $3 million, while public utility, liquor, and vehicle use taxes were each off $1 million for the month.

Overall transfers in January were down $32 million. Other transfers fell $50 million while river transfers grew $18 million. As mentioned, federal sources plunged down $170 million due to a comparatively high month of last fiscal year.

Year to Date

Excluding short-term borrowing, tobacco settlement bond proceeds, and Budget Stabilization Fund transfers, general funds revenues are up $980 million through January. However, that increase takes into account approximately $419 million in net revenues classified as related to tax amnesty. Some of this, however, is money that has been accelerated from the current fiscal year as well as from future fiscal years. In addition, year to date totals include approximately $354 million in interfund borrowing. Obviously, if both of those items were excluded, growth would be much more modest, although at this time a precise amount cannot be calculated due to "acceleration and deceleration" issues attributed to the tax amnesty.

Through January, sales tax receipts are up $335 million, or by $171 million if tax amnesty is excluded. Gross corporate income tax is up $297 million, or $218 million net of refunds. If tax amnesty is excluded those figures would be a much more modest $4 million gross, and $3 million net. Gross personal income tax is up $206 million, or $241 million net of refunds. However, excluding tax amnesty would reduce that growth to $166 million gross, or $205 million net.

Overall transfers are up $252 million for the year, principally due to $354 million in interfund borrowing that is somewhat offset by a loss of $37 million in riverboat transfers. Federal sources, after falling in January, are now down $65 million for the year.

GENERAL FUNDS RECEIPTS: JANUARY
FY 2011 vs. FY 2010
($ million)

Revenue Sources	Jan. FY 2011	Jan. FY 2010	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$1,156	$1,044	$112	10.7%
Corporate Income Tax (regular)	70	89	($19)	-21.3%
Sales Taxes	620	552	$68	12.3%
Public Utility Taxes (regular)	91	92	($1)	-1.1%
Cigarette Tax	29	29	$0	0.0%
Liquor Gallonage Taxes	18	19	($1)	-5.3%
Vehicle Use Tax	1	2	($1)	-50.0%
Inheritance Tax (Gross)	4	15	($11)	-73.3%
Insurance Taxes and Fees	4	2	$2	100.0%
Corporate Franchise Tax & Fees	13	16	($3)	-18.8%
Interest on State Funds & Investments	3	1	$2	200.0%
Cook County IGT	0	0	$0	N/A
Other Sources	49	46	$3	6.5%
Subtotal	$2,058	$1,907	$151	7.9%
Transfers				
Lottery	46	46	$0	0.0%
Riverboat transfers & receipts	33	15	$18	120.0%
Proceeds from Sale of 10th license	0	0	$0	N/A
Other	38	88	($50)	-56.8%
Total State Sources	$2,175	$2,056	$119	5.8%
Federal Sources	$468	$638	($170)	-26.6%
Total Federal & State Sources	$2,643	$2,694	($51)	-1.9%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($101)	($102)	$1	-1.0%
Corporate Income Tax	($14)	(15)	$1	-6.7%
Subtotal General Funds	$2,528	$2,577	($49)	-1.9%
Short-Term Borrowing	$0	$0	$0	N/A
Tobacco Liquidation Proceeds	$0	$0	$0	N/A
Pension Contribution Fund Transfer	$0	$206	($206)	N/A
Budget Stabilization Fund Transfer	$0	$150	($150)	N/A
Total General Funds	$2,528	$2,933	($405)	-13.8%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 3-Feb-11

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2011 vs. FY 2010

($ million)

Revenue Sources	FY 2011	FY 2010	CHANGE FROM FY 2010	% CHANGE
State Taxes				
Personal Income Tax	$5,465	$5,259	$206	3.9%
Corporate Income Tax (regular)	1,008	711	$297	41.8%
Sales Taxes	4,073	3,738	$335	9.0%
Public Utility Taxes (regular)	631	610	$21	3.4%
Cigarette Tax	206	204	$2	1.0%
Liquor Gallonage Taxes	100	95	$5	5.3%
Vehicle Use Tax	17	17	$0	0.0%
Inheritance Tax (Gross)	116	131	($15)	-11.5%
Insurance Taxes and Fees	149	159	($10)	-6.3%
Corporate Franchise Tax & Fees	125	122	$3	2.5%
Interest on State Funds & Investments	20	16	$4	25.0%
Cook County IGT	56	56	$0	0.0%
Other Sources	218	229	($11)	-4.8%
Subtotal	$12,184	$11,347	$837	7.4%
Transfers				
Lottery	343	339	$4	1.2%
Riverboat transfers & receipts	220	257	($37)	-14.4%
Proceeds from Sale of 10th license	0	0	$0	N/A
Other	771	486	$285	58.6%
Total State Sources	$13,518	$12,429	$1,089	8.8%
Federal Sources	$3,433	$3,498	($65)	-1.9%
Total Federal & State Sources	$16,951	$15,927	$1,024	6.4%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($478)	($513)	$35	-6.8%
Corporate Income Tax	($203)	($124)	($79)	63.7%
Subtotal General Funds	$16,270	$15,290	$980	6.4%
Short-Term Borrowing	$1,300	$1,250	$50	4.0%
Tobacco Liquidation Proceeds	$1,250	$0	$1,250	N/A
Pension Contribution Fund Transfer	$0	$206	($206)	N/A
Budget Stabilization Fund Transfer	$235	$666	($431)	-64.7%
Total General Funds	$19,055	$17,412	$1,643	9.4%

SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.

CGFA 3-Feb-11

PENSIONS

The Impact of Police and Fire Pension Reform on the City of Springfield

Senate Bill 3538 (P.A. 96-1495)

Dan Hankiewicz, Pension Manager
Mallory Meyer, Pension Analyst

In last month's briefing, CGFA staff provided a fiscal analysis of SB 3538, the Downstate Police and Fire reform bill that was signed into law by Governor Quinn on December 30, 2010. Our December analysis examined the long-term impact of reform on all Downstate police and fire pension funds combined, as well as the Chicago police and fire funds. This month, we present a cost study performed by the Commission's actuary, Sandor Goldstein, on the impact of SB 3538 on the City of Springfield's police and fire pension funds (Springfield was one of five municipalities that we examined in our 2009 Fiscal Analysis of Downstate Police and Fire Pension Funds). The cost study examines projected employer contributions, as well as the projected funding ratio before and after SB 3538, projected "Tier 1" and "Tier 2" active employees, and finally, the impact of reform on the normal cost for the city's police and fire funds through FY 2040.

"Normal cost" refers to the annual cost of service accrual for a particular fiscal year. In a fully-funded pension fund, the normal cost represents the long-term annual contribution amount. SB 3538 will have a stabilizing effect on normal cost for the city's police and fire pension funds. As new Tier 2 employees enter the system and existing Tier 1 employees retire or leave service, the percentage of total normal cost that is attributable to Tier 2 employees will gradually increase, until in later years when these employees make up the majority of total active employees. The projected total normal cost for the Springfield police pension fund is projected to decrease over time, and this is attributable to a somewhat higher projected turnover when compared to the city's fire pension fund.

It is also worth noting that under SB 3538, police and fire pension funds are required to attain a 90% funding ratio by FY 2040. Prior to SB 3538, police and fire funds had been under a mandate to reach a 100% funding target by 2033. In the funding projection charts below, the actuary assumed that Springfield would attain a 100% funding target in 2033 under the old funding law, after which contributions would decrease sharply – this explains the sharp drop-off or "cliff' when viewing the projected contributions before P.A. 96-1495. Since P.A. 96-1495 requires contributions to be made as a level percentage of payroll, projected employer contributions increase gradually over time until a 90% funding target is reached by the end of municipal fiscal year 2040.

Overview of Key Provisions of SB 3538 HA #3

Effective Date

- January 1, 2011

Systems Impacted

- Downstate Police, Downstate Fire, Chicago Police, Chicago Fire, IMRF (SLEP)

Creation of a Two Tier System for Firefighters and Police Officers

- Benefits for current police officers and firefighters have not changed.
- Changes only apply to police officers and firefighters hired on or after January 1, 2011.
- Normal Retirement: 55 years old with 10 years of service.
- Early Retirement: 50 years old with 10 years of service, but penalty of ½% for each month that the police officer or firefighter is younger than 55 years.
- Retirement Pension based upon 2.5% of Final Average Salary for a maximum of 75%.
- Annuity based on highest 8 years out of last 10 years of service.
- Annual Final Average Salary may not exceed $106,800, as automatically increased by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year.

Annual Increases in Annuity

- Increases begin at age 60 either on the January 1st after police officer/firefighter retires or the first anniversary of pension starting date, whichever is later.
- Increases equal to the lesser of 3% of one-half the annual increase in the CPI-U during the preceding 12-month calendar year; if increase in CPI is zero or if there is a decrease in CPI, then no COLA is payable.
- Increase not compounded

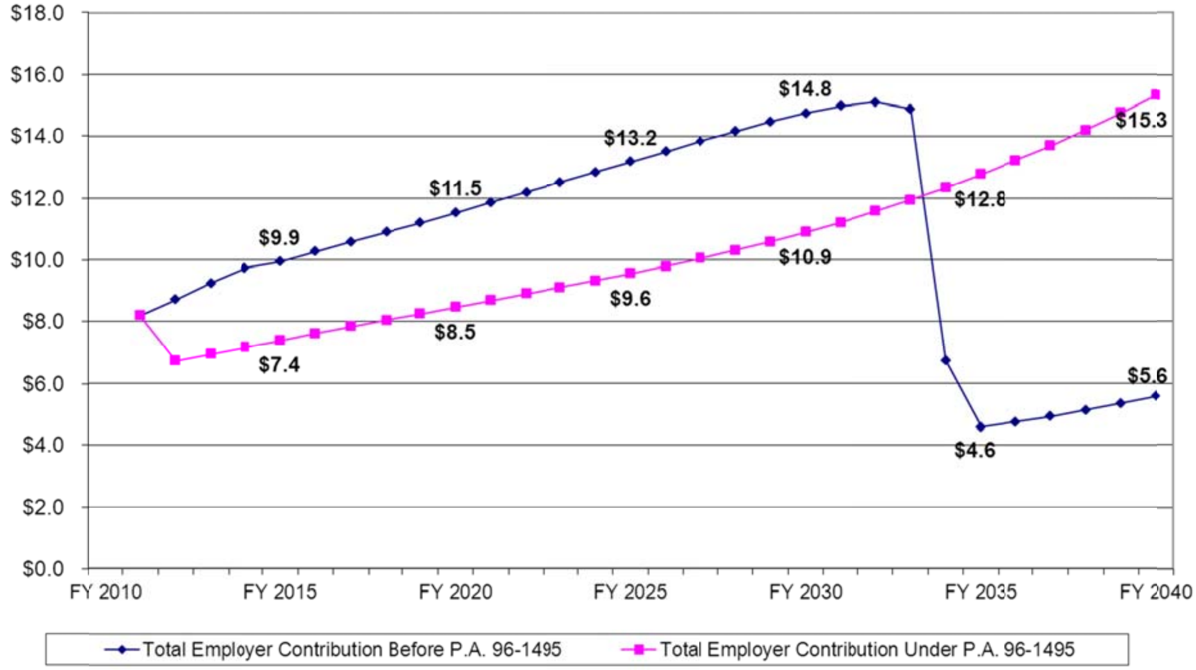
Survivor Benefits

- 66.7% of the earned retirement benefit at death
- Increased by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year
- Increases not compounded

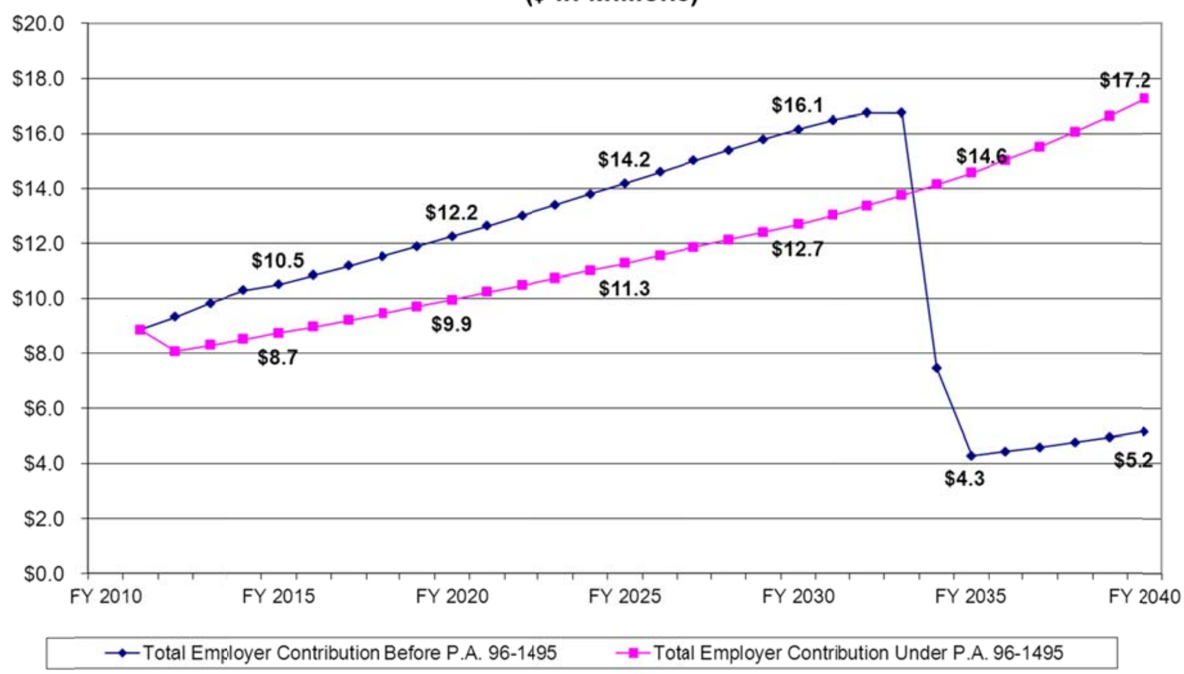
Municipal Funding Provisions

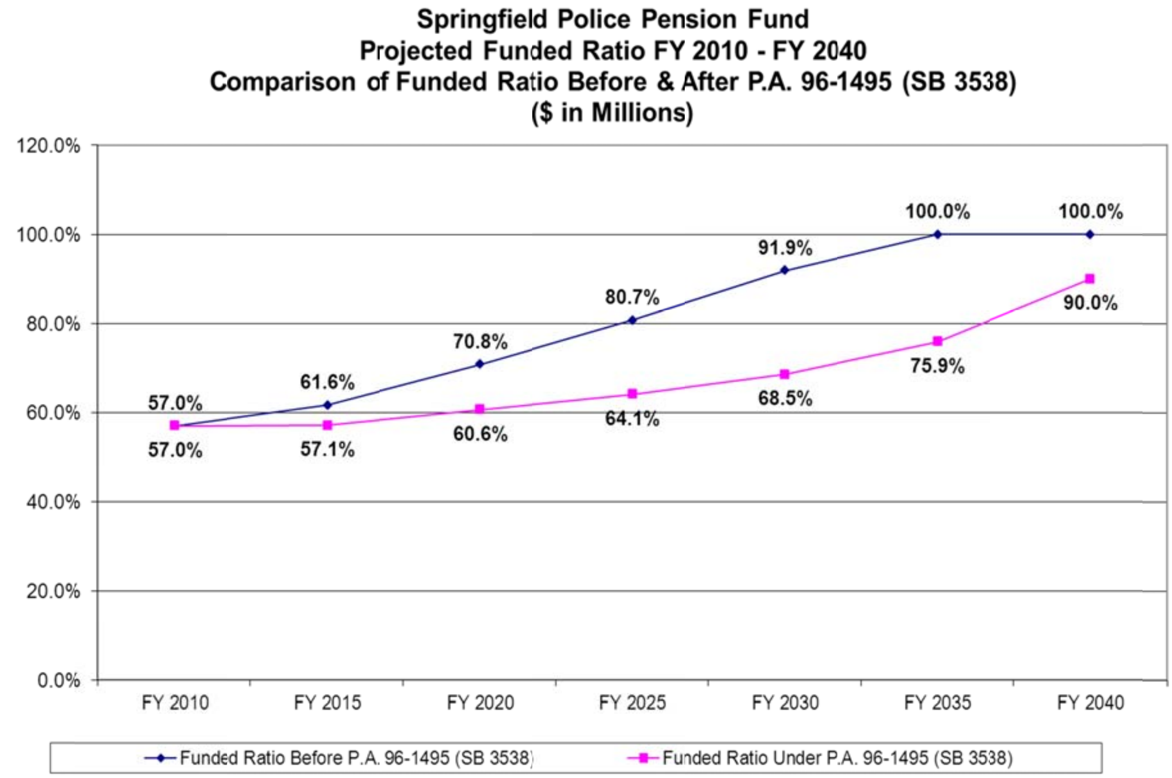
- Pension funds must be 90% funded by Fiscal Year 2040
- Annual Municipal contributions will be calculated as level percentage of payroll under "Projected Unit Credit Actuarial Cost Method."
- Comptroller is authorized to redirect municipal monies directly to pension funds if municipal contributions are insufficient.
- Future pension fund studies are authorized to review the condition of pension funds and potential investment pooling.

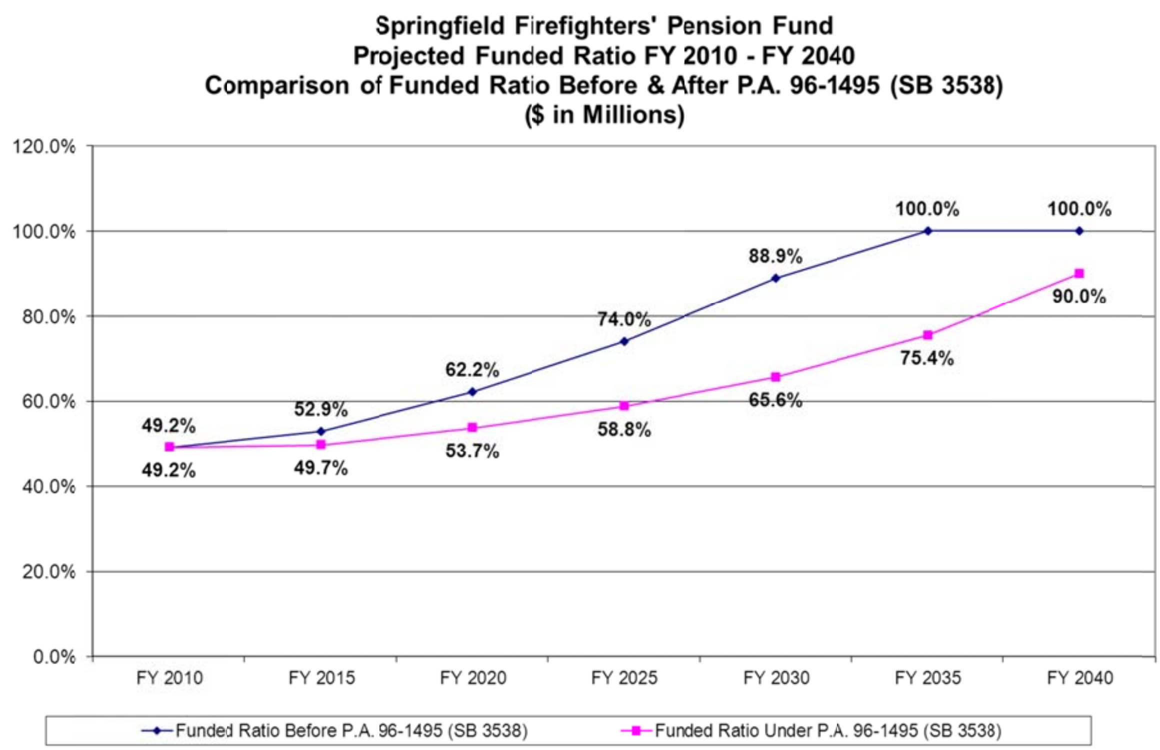
Springfield Police Pension Fund
Projected Total Employer Contribution for FY 2010 - FY 2040
Comparison of Employer Contributions Before & After P.A. 96-1495
($ in Millions)



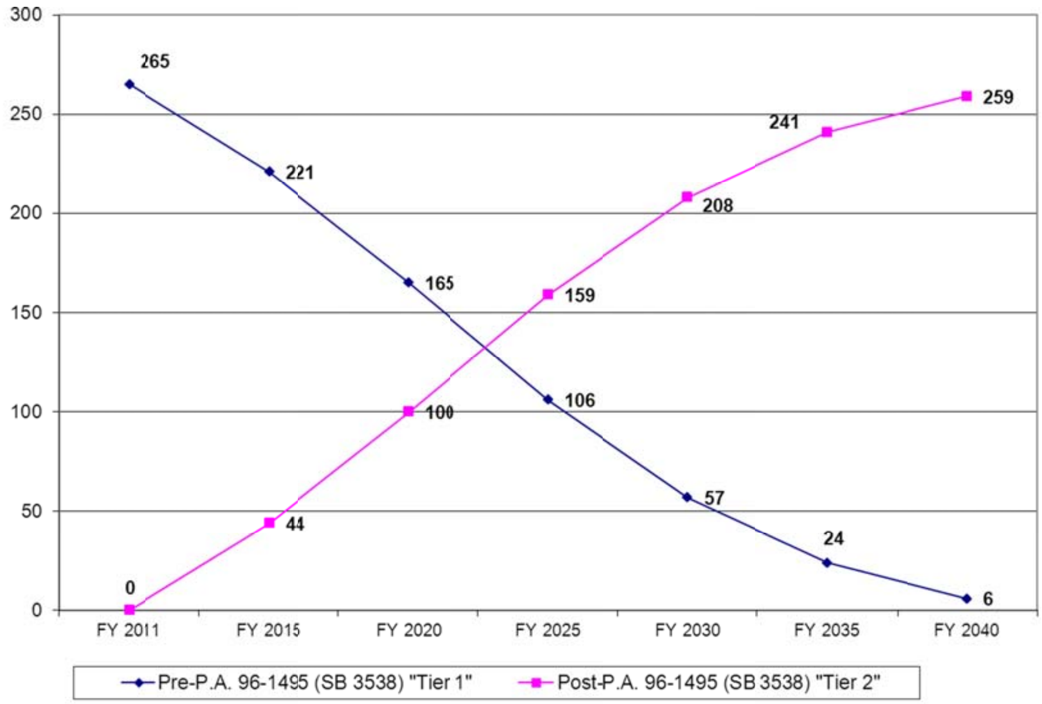
Springfield Firefighters' Pension Fund
Projected Total Employer Contribution for FY 2010 - FY 2040
Comparison of Employer Contributions Before & After P.A. 96-1495
($ in Millions)



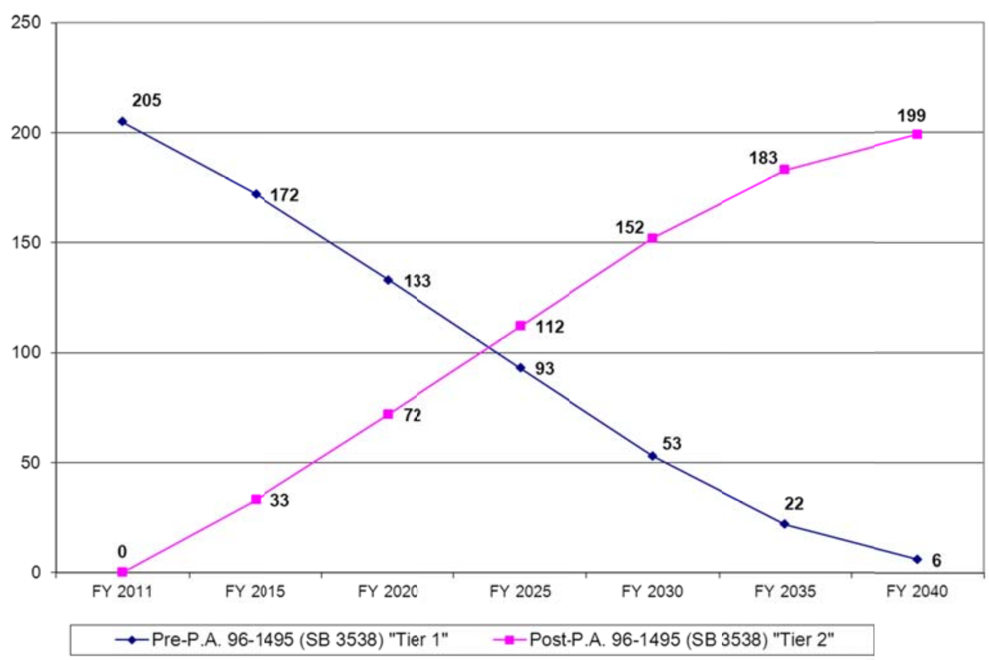

Springfield Police Pension Fund
Projected Funded Ratio FY 2010 - FY 2040
Comparison of Funded Ratio Before & After P.A. 96-1495 (SB 3538)
($ in Millions)
120.0%
100.0%
80.0%
60.0%
40.0%
20.0%
0.0%
FY 2010
FY 2015
FY 2020
FY 2025
FY 2030
FY 2035
FY 2040
57.0%
61.6%
70.8%
80.7%
91.9%
100.0%
100.0%
57.0%
57.1%
60.6%
64.1%
68.5%
75.9%
90.0%
Funded Ratio Before P.A. 96-1495 (SB 3538)
Funded Ratio Under P.A. 96-1495 (SB 3538)

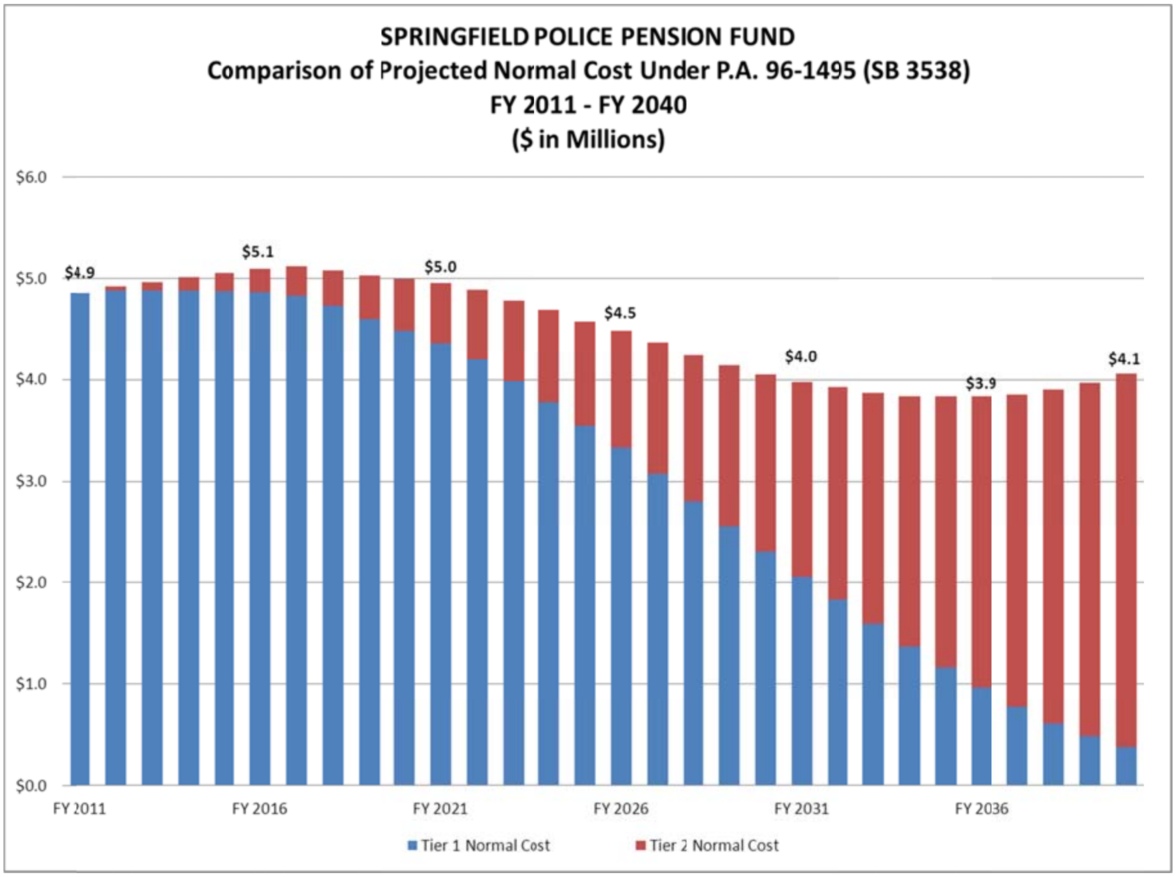

Springfield Firefighters' Pension Fund
Projected Funded Ratio FY 2010 - FY 2040
Comparison of Funded Ratio Before & After P.A. 96-1495 (SB 3538)
($ in Millions)
120.0%
100.0%
80.0%
60.0%
40.0%
20.0%
0.0%
FY 2010
FY 2015
FY 2020
FY 2025
FY 2030
FY 2035
FY 2040
49.2%
52.9%
62.2%
74.0%
88.9%
100.0%
100.0%
49.2%
49.7%
53.7%
58.8%
65.6%
75.4%
90.0%
Funded Ratio Before P.A. 96-1495 (SB 3538)
Funded Ratio Under P.A. 96-1495 (SB 3538)

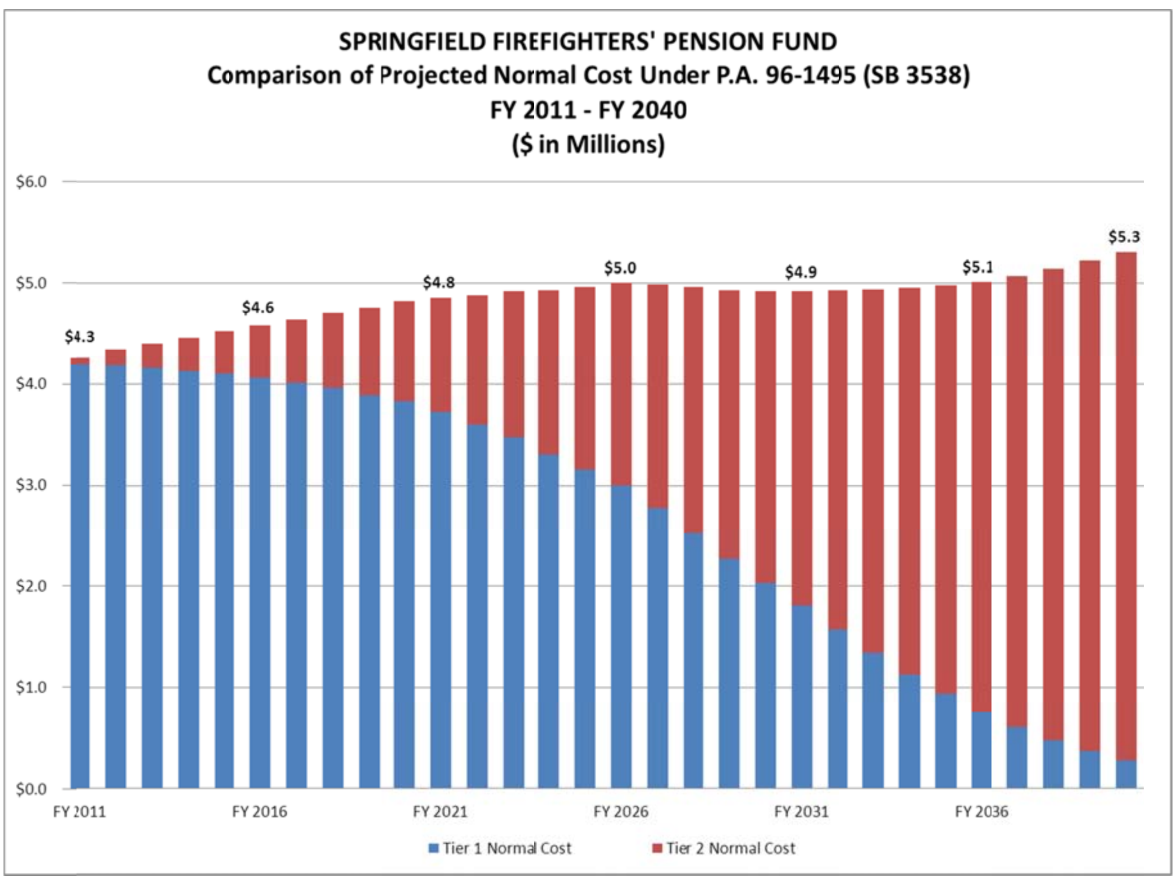
SPRINGFIELD POLICE PENSION FUND
Projected Active Membership
Comparison of Active Members Under P.A. 96-1495 Tier 1 & Tier 2
FY 2011 - FY 2040



SPRINGFIELD FIREFIGHTERS' PENSION FUND
Projected Active Membership
Comparison of Active Members Under P.A. 96-1495 Tier 1 & Tier 2
FY 2011 - FY 2040




SPRINGFIELD POLICE PENSION FUND
Comparison of Projected Normal Cost Under P.A. 96-1495 (SB 3538)
FY 2011 - FY 2040
($ in Millions)
$6.0
$5.0
$4.0
$3.0
$2.0
$1.0
$0.0
$4.9
$5.1
$5.0
$4.5
$4.0
$3.9
$4.1
FY 2011
FY 2016
FY 2021
FY 2026
FY 2031
FY 2036
Tier 1 Normal Cost
Tier 2 Normal Cost


SPRINGFIELD FIREFIGHTERS' PENSION FUND
Comparison of Projected Normal Cost Under P.A. 96-1495 (SB 3538)
FY 2011 - FY 2040
($ in Millions)
$6.0
$5.0
$4.0
$3.0
$2.0
$1.0
$0.0
$4.3
$4.6
$4.8
$5.0
$4.9
$5.1
$5.3
FY 2011
FY 2016
FY 2021
FY 2026
FY 2031
FY 2036
Tier 1 Normal Cost
Tier 2 Normal Cost