Commission on Government Forecasting and Accountability

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ECONOMY: Housing and the Credit Crisis

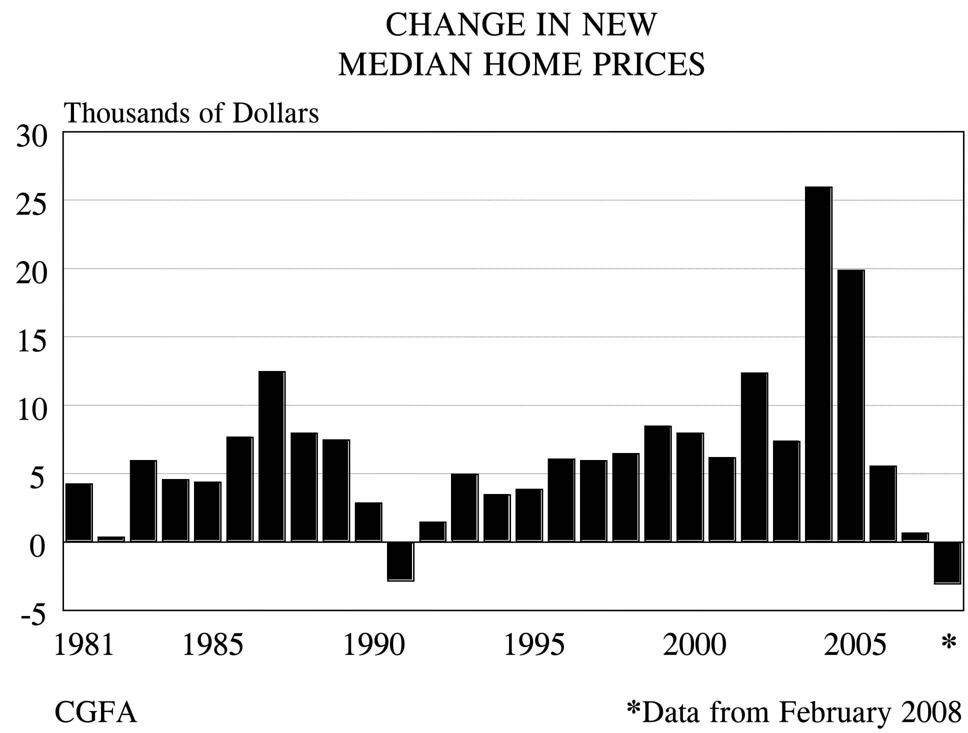
Edward H. Boss, Jr., Chief Economist

The fallout from the bursting of the housing bubble continues as the monetary authorities together with the federal government react to stop the hemorrhaging. The bursting of the bubble is clearly evidenced by the decline in home prices. Chart 1, on page 2, depicts the change in the median price of a new home since the early 1980s. It's interesting to note that median home prices never declined on average during the twin recessions in the early 1980s and continued to rise during the last recession in 2001. Indeed, it was the continued strength in the housing sector that was a large contributor to the last recession being so mild by historical standards.

Only in the recession of 1991 was there a decline in median home prices that was reversed the following year. Median new home prices held virtually unchanged in 2007 compared to 2006, but that hid a trend that was weakening sharply. Sales of new homes in 2007 fell by 26%, the steepest drop since data began to be collected in the early 1960s. As a result, by December 2007 median new home prices had fallen 10.9% from December 2006, with the supply of unsold homes increasing. In February 2008, the latest data available, the median new home price had slipped further from an average of $247,200 in 2007 to $244,100, 2.7% below that of a year earlier. The drop in the average home price was even greater, declining from a record high $313,000 in 2007 to $296,400 in February 2008. The decline in home prices still keeps them at high levels following the unsustainable price surge in 2002 through 2005 as shown in the chart, suggesting the downward trend may have yet to run its course.

The decline in home prices coupled with the explosion in recent years of interest only, sub prime, non documented, adjustable rate and other types of mortgages made to those who could not afford them in the current environment have caused a surge in home foreclosures. According to RealtyTrac, the year-over-

CHART 1



year increase in foreclosures has increased every month since January 2006 and has been between 50 percent and 60 percent for both January and February 2008.

The situation was made significantly worse as many of these mortgages were securitized, that is bundled together and sold to investors as highly rated investment instruments around the world. The true value of these investments in fact was unknown. That uncertainty of worth not only caused an unavailability of credit, even for those who could afford a mortgage, but liquidity dried up, major investment houses who held large amount of these investments were unable to get credit, and a true crisis in the financial markets was in the process of developing. The Federal Reserve Bank, already concerned over a weak economy and threat of recession, reacted through a series of major steps, many unprecedented.

The President proposed and in a bi-partisan manner Congress passed an economic stimulus package designed to encourage consumers to continue to buy homes, cars, refrigerators, etc. The Federal Reserve in a series of meetings, both scheduled and unscheduled, complimented this action by lowering key monetary policy interest rates. The federal funds rate was lowered from a rate of 4.25% toward the end of 2007 to 2.25% currently while the discount rate fell during the same period from 4.75% to 2.50% currently. In addition, the Federal Reserve Bank created and later in cooperation with the Bank of Canada, the Bank of England, the

European Central Bank and the Swiss National Bank, expanded its Term Securities Lending Facility to lend up to $200 billion to primary dealers by pledging a variety of securities including highly rated residential-mortgage-backed securities.

After a run on the investment bank Bear Sterns, which held a large portfolio of such mortgage-backed securities, the Federal Reserve basically forced the investment bank to sell itself to JP Morgan Chase at a fire-sale price. To further help stabilize markets, the Federal Reserve then expanded the function of the discount window, opening it up to investment banks. Finally, at month's end, the Treasury announced a plan to stabilize the markets by the most sweeping changes in regulation since the 1930s. It would increase the powers of the Federal Reserve by expanding its ability to examine ***any*** financial institution deemed to pose a risk to financial stability; eliminate the Office of Thrift Supervision and Commodity Futures Trading Commission merging their functions into other agencies; and create one super agency in charge of business conduct and consumer protection, performing many functions of the SEC.

In conclusion, the reactions by the federal government and the Federal Reserve, coupled with proposed changes in regulation, seem to have let some of the air out of what was a quickly developing financial crisis.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS	FEB. 2008	JAN. 2008	FEB. 2007
Unemployment Rate (Average)	5.5%	5.6%	4.8%
Annual Rate of Inflation (Chicago)	5.7%	9.6%	4.5%

	LATEST MONTH	% CHANGE OVER PRIOR MONTH	% CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (February)	6,805	0.2%	2.3%
Employment (thousands) (February)	6,431	0.3%	1.6%
New Car & Truck Registration (February)	44,876	-9.6%	11.9%
Single Family Housing Permits (February)	819	1.6%	-43.7%
Total Exports ($ mil) (January)	4,002	-2.1%	9.5%
Chicago Purchasing Managers Index (March)	48.2	8.3%	-21.9%

REVENUE

Revenues Fall as Federal Sources & Personal Income Tax Weaken

Jim Muschinske, Revenue Manager

Overall base receipts fell $68 million in March, excluding last year's cash flow transfers. While few revenue sources experienced increases, drops in federal sources and personal income tax receipts more than erased those gains. March had one less receipting day than last year.

Due to a sales tax allocation issue experienced last year, sales tax receipts grew $45 million for the month. However, once the value related to last year's allocation change is accounted for, base sales taxes were likely flat again. Gross corporate income tax receipts were up $28 million, or $31 million net of refunds. Inheritance tax posted another surprisingly strong month as receipts grew by $18 million, while other sources eked out a $1 million gain.

As anticipated, gross personal income taxes finally took a break from what has been continued strong growth, as monthly receipts fell $31 million, or $12 million net of refunds. This is the first time that gross personal income tax has experienced a comparative monthly decline since December 2006. Insurance taxes and fees fell $15 million, interest income continued to struggle falling $7 million, and corporate franchise taxes dropped $4 million.

Overall transfers dropped by $20 million in March. Riverboat transfers declined $10 million, lottery transfers were off by $6 million, and other transfers eased $4 million. Federal sources declined $105 million due to an exceptionally strong month one year earlier.

Year to Date

Through the first three-quarters of the fiscal year, overall base receipts were up $564 million. While receipt performance has been mixed, one area that had continued to fare well is gross personal income tax receipts. Through March, receipts were up $483 million, or $585 million on a net of refund basis. With the decline experienced in March, concerns regarding a slowdown in growth may be manifesting.

Despite an up tick in March, sales tax continued to disappoint with little prospect for a reversal of fortune, as receipts continue to plod along and are up just $34 million for the year. Some positive news continued to come from the strength of the inheritance tax which was up $93 million.

While lottery transfers were up $30 million, other transfers more than erased those gains and were down $133 million. Finally, after beginning the fiscal year on an up note, the continued drop off in federal sources has receipts running behind last year — off $158 million.

GENERAL FUNDS RECEIPTS: MARCH				
FY 2008 vs. FY 2007				
($ million)				
Revenue Sources	**March FY 2008**	**March FY 2007**	**$ CHANGE**	**% CHANGE**
State Taxes				
Personal Income Tax	$821	$852	($31)	-3.6%
Corporate Income Tax (regular)	402	374	$28	7.5%
Sales Taxes	560	515	$45	8.7%
Public Utility Taxes (regular)	102	102	$0	0.0%
Cigarette Tax	29	29	$0	0.0%
Liquor Gallonage Taxes	10	10	$0	0.0%
Vehicle Use Tax	2	2	$0	0.0%
Inheritance Tax (Gross)	34	16	$18	112.5%
Insurance Taxes and Fees	25	40	($15)	-37.5%
Corporate Franchise Tax & Fees	17	21	($4)	-19.0%
Interest on State Funds & Investments	10	17	($7)	-41.2%
Cook County IGT	0	0	$0	N/A
Other Sources	31	30	$1	3.3%
Subtotal	$2,043	$2,008	$35	1.7%
Transfers				
Lottery	61	67	($6)	-9.0%
Riverboat transfers & receipts	25	35	($10)	-28.6%
Other	44	48	($4)	-8.3%
Total State Sources	$2,173	$2,158	$15	0.7%
Federal Sources	$420	$525	($105)	-20.0%
Total Federal & State Sources	$2,593	$2,683	($90)	-3.4%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($64)	($83)	$19	-22.9%
Corporate Income Tax	($62)	(65)	$3	-4.6%
Subtotal General Funds	$2,467	$2,535	($68)	-2.7%
Short-Term Borrowing	$0	$0	$0	N/A
Hopital Provider Fund (cash flow transfer)	$0	$289	($289)	N/A
Budget Stabilization Fund Transfer	$0	$0	$0	N/A
Total General Funds	$2,467	$2,824	($357)	-12.6%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-Apr-08

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2008 vs. FY 2007

($ million)

Revenue Sources	FY 2008	FY 2007	CHANGE FROM FY 2007	% CHANGE
State Taxes				
Personal Income Tax	$7,472	$6,989	$483	6.9%
Corporate Income Tax (regular)	1,325	1,268	$57	4.5%
Sales Taxes	5,411	5,377	$34	0.6%
Public Utility Taxes (regular)	853	847	$6	0.7%
Cigarette Tax	263	263	$0	0.0%
Liquor Gallonage Taxes	120	117	$3	2.6%
Vehicle Use Tax	24	24	$0	0.0%
Inheritance Tax (Gross)	291	198	$93	47.0%
Insurance Taxes and Fees	198	202	($4)	-2.0%
Corporate Franchise Tax & Fees	166	147	$19	12.9%
Interest on State Funds & Investments	154	154	$0	0.0%
Cook County IGT	193	178	$15	8.4%
Other Sources	306	305	$1	0.3%
Subtotal	$16,776	$16,069	$707	4.4%
Transfers				
Lottery	477	447	$30	6.7%
Riverboat transfers & receipts	454	455	($1)	-0.2%
Other	371	504	($133)	-26.4%
Total State Sources	$18,078	$17,475	$603	3.5%
Federal Sources	$3,463	$3,621	($158)	-4.4%
Total Federal & State Sources	$21,541	$21,096	$445	2.1%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($579)	($681)	$102	-15.0%
Corporate Income Tax	($205)	($222)	$17	-7.7%
Subtotal General Funds	$20,757	$20,193	$564	2.8%
Short-Term Borrowing	$1,200	$900	$300	33.3%
Hospital Provider Fund (cash flow transfer)	$300	$289	$11	3.8%
Budget Stabilization Fund Transfer	$276	$276	$0	0.0%
Total General Funds	$22,533	$21,658	$875	4.0%

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

CGFA 1-Apr-08

GENERAL FUNDS GROWTH NEEDED TO MEET ESTIMATE

FY 2008 ESTIMATE vs. FY 2007 ACTUAL

($ million)

Revenue Sources	Mar-08 ESTIMATE FY 2008	FYTD 2008	AMOUNT NEEDED FY 2008 EST.	FYTD 2007	GROWTH NEEDED	% CHANGE
State Taxes						
Personal Income Tax	$11,100	$7,472	$3,628	$6,989	$193	5.6%
Corporate Income Tax (regular)	2,153	1,325	$828	1,268	($25)	-2.9%
Sales Taxes	7,156	5,411	$1,745	5,377	($14)	-0.8%
Public Utility Taxes (regular)	1,140	853	$287	847	$3	1.1%
Cigarette Tax	350	263	$87	263	$0	0.0%
Liquor Gallonage Taxes	160	120	$40	117	$1	2.6%
Vehicle Use Tax	33	24	$9	24	$0	0.0%
Inheritance Tax (Gross)	360	291	$69	198	$3	4.5%
Insurance Taxes and Fees	325	198	$127	202	$19	17.6%
Corporate Franchise Tax & Fees	220	166	$54	147	$8	17.4%
Interest on State Funds & Investments	185	154	$31	154	($19)	-38.0%
Cook County IGT	302	193	$109	178	($20)	-15.5%
Other Sources	453	306	$147	305	$3	2.1%
Subtotal	$23,937	$16,776	$7,161	$16,069	$152	2.2%
Transfers						
Lottery	675	477	$198	447	$23	13.1%
Riverboat transfers & receipts	625	454	$171	455	($59)	-25.7%
Other	598	371	$227	504	($208)	-47.8%
Total State Sources	$25,835	$18,078	$7,757	$17,475	($92)	-1.2%
Federal Sources	$4,804	$3,463	$1,341	$3,621	$259	23.9%
Total Federal & State Sources	$30,639	$21,541	$9,098	$21,096	$167	1.9%
Nongeneral Funds Distribution:						
Refund Fund						
Personal Income Tax	($860)	($579)	($281)	($681)	$54	-16.1%
Corporate Income Tax	(334)	($205)	($129)	(222)	$20	-13.4%
Subtotal General Funds	$29,445	$20,757	$8,688	$20,193	$241	2.9%
Short-Term Borrowing	$1,200	$1,200	$0	$900	$0	N/A
Hospital Provider Fund (cash flow transfer)	$300	$300	$0	$289	($167)	N/A
Budget Stabilization Fund Transfer	$276	$276	$0	$276	$0	N/A
Total General Funds	$31,221	$22,533	$8,688	$21,658	$74	0.9%

CGFA estimate updated to reflect actual short-term borrowing — 1-Apr-08

GENERAL FUNDS GROWTH NEEDED TO MEET GOMB ESTIMATE

FY 2008 ESTIMATE vs. FY 2007 ACTUAL

($ million)

Revenue Sources	Feb-08 ESTIMATE FY 2008	FYTD 2008	AMOUNT NEEDED FY 2008 EST.	FYTD 2007	GROWTH NEEDED	% CHANGE
State Taxes						
Personal Income Tax	$11,136	$7,472	$3,664	$6,989	$229	6.7%
Corporate Income Tax (regular)	2,121	1,325	$796	1,268	($57)	-6.7%
Sales Taxes	7,172	5,411	$1,761	5,377	$2	0.1%
Public Utility Taxes (regular)	1,111	853	$258	847	($26)	-9.2%
Cigarette Tax	350	263	$87	263	$0	0.0%
Liquor Gallonage Taxes	159	120	$39	117	$0	0.0%
Vehicle Use Tax	30	24	$6	24	($3)	-33.3%
Inheritance Tax (Gross)	315	291	$24	198	($42)	-63.6%
Insurance Taxes and Fees	320	198	$122	202	$14	13.0%
Corporate Franchise Tax & Fees	215	166	$49	147	$3	6.5%
Interest on State Funds & Investments	204	154	$50	154	$0	0.0%
Cook County IGT	302	193	$109	178	($20)	-15.5%
Other Sources	502	306	$196	305	$52	36.1%
Subtotal	$23,937	$16,776	$7,161	$16,069	$152	2.2%
Transfers						
Lottery	657	477	$180	447	$5	2.9%
Riverboat transfers & receipts	636	454	$182	455	($48)	-20.9%
Other	678	371	$307	504	($128)	-29.4%
Total State Sources	$25,908	$18,078	$7,830	$17,475	($19)	-0.2%
Federal Sources	$4,804	$3,463	$1,341	$3,621	$259	23.9%
Total Federal & State Sources	$30,712	$21,541	$9,171	$21,096	$240	2.7%
Nongeneral Funds Distribution:						
Refund Fund						
Personal Income Tax	($863)	($579)	($284)	($681)	$51	-15.2%
Corporate Income Tax	(329)	($205)	($124)	(222)	$25	-16.8%
Subtotal General Funds	$29,520	$20,757	$8,763	$20,193	$316	3.7%
Short-Term Borrowing	$1,200	$1,200	$0	$900	$0	N/A
Hospital Provider Fund (cash flow transfer)	$300	$300	$0	$289	($167)	N/A
Budget Stabilization Fund Transfer	$276	$276	$0	$276	$0	N/A
Total General Funds	$31,296	$22,533	$8,763	$21,658	$149	1.7%

CGFA estimate updated to reflect actual short-term borrowing — 1-Apr-08

The Struggles of Illinois Riverboats

Eric Noggle, Senior Revenue Analyst

Fiscal Year 2008 has been a year of fluctuation for Illinois riverboats. The year started out promising as the first four months saw Statewide adjusted gross receipts increase 4.5% and admissions increase 4.8%. However, the following four-month period saw adjusted gross receipts fall 8.0% and admissions drop 1.3%. As a result, fiscal year totals through two-thirds of the fiscal year show adjusted gross receipts down 1.7% and admissions up slightly at 1.8%. Riverboat figures for FY 2008 through February on a boat-by-boat basis are shown below.

Performance of Illinois Riverboats through February

(Adjusted Gross Receipts and Admissions FYTD)

	FY 2007 YTD AGR	FY 2008 YTD AGR	% Change	FY 2007 YTD Admissions	FY 2008 YTD Admissions	% Change
Alton	$ 81,278,000	$ 76,906,000	-5.4%	956,611	918,079	-4.0%
East Peoria	$ 82,930,000	$ 84,637,000	2.1%	860,038	907,158	5.5%
Rock Island	$ 24,909,000	$ 22,079,000	-11.4%	429,807	399,668	-7.0%
Joliet Empress	$ 166,873,000	$ 144,791,000	-13.2%	1,434,963	1,335,139	-7.0%
Metropolis	$ 109,918,000	$ 108,812,000	-1.0%	926,131	899,308	-2.9%
Joliet Harrah's	$ 233,033,000	$ 241,528,000	3.6%	1,807,783	2,006,343	11.0%
Aurora	$ 176,810,000	$ 171,040,000	-3.3%	1,220,277	1,149,002	-5.8%
East St. Louis	$ 113,880,000	$ 130,372,000	14.5%	1,365,013	1,675,680	22.8%
Elgin	$ 285,552,000	$ 273,852,000	-4.1%	1,681,523	1,588,157	-5.6%
TOTAL	**$ 1,275,183,000**	**$ 1,254,017,000**	**-1.7%**	**10,682,146**	**10,878,534**	**1.8%**

Several factors are likely contributing to this turnaround in riverboat figures. The struggling economy along with the higher motor fuel prices are likely lowering the amount of income that consumers feel that they can afford to spend on gambling. In addition, the 2007-2008 winter season has been particularly harsh, producing several weekend storms that likely prevented gaming during normally busy weekend periods. However, it appears that the biggest factor that may be affecting Illinois casinos is the Statewide smoking ban that went into effect on January 1, 2008.

The smoking ban has a greater impact on the gaming industry because of the high percentage of casino patrons that also smoke and desire to do so when gambling. For example, the

American Gaming Association has estimated that 35 to 40 percent of casino customers nationwide smoke, compared with roughly 20 percent of the general population. Some Illinois casinos have indicated that they believe as much as 60% to 70% of their patrons smoke while attending their riverboats.

Since the indoor smoking ban went into effect, Statewide adjusted gross receipts have declined a whopping 15.2% (January-February 2007 vs. January-February 2008). These figures are shown near the bottom of this section. While it is impossible to know how much of the large decline in riverboat figures is directly attributable to the smoking ban, a look at neighboring states (without a smoking ban) may offer some perspective.

In Indiana, adjusted gross receipts so far this fiscal year are down 2.2%. While Indiana's declines (which also were impacted by the harsh winter) are actually greater than Illinois' FYTD decline of 1.7%, its decline over the first two months of the fiscal year, since Illinois' smoking ban began, is only 4.8% compare to Illinois' decline of 15.2%. In Missouri, adjusted gross receipts are up 0.8% for the fiscal year, yet are up 6.4% for the first two months during Illinois' smoking ban period.

By enforcing an indoor smoking ban at Illinois casinos, many believe that this action may be enticing smoking gamblers to go to other states to gamble. While it's too early to say this for sure, the four Chicago area riverboats that are closest to the Indiana border saw their adjusted gross receipts fall a combined 17.2% through the first two months of the calendar year. In Indiana, even with the winter storms, the four Chicago-area Indiana riverboats closest to the Illinois border only declined 2.3% over that same period. In the Quad City area, the two Iowa riverboats were up 5.4%, while Rock Island fell 16.5%.

Riverboat figures for the St. Louis region have also shown discrepancies between Illinois and its competition. Missouri's St. Louis area riverboat's adjusted gross receipts are up 1.7% for the fiscal year and up 17.0% since the start of 2008. This compares to East St. Louis' Casino Queen up 14.3% for the fiscal year, but down 1.3% since the start of 2008. While the smoking ban has likely contributed to these dramatic changes, it must be mentioned that there are other factors affecting the turnarounds in the St. Louis region.

The Casino Queen in East St. Louis, Illinois opened a brand new facility in August 2007 resulting in adjusted gross receipts rising 19.6% through the first half of the fiscal year. However, the excitement over the newness of this casino was short-lived as a brand new casino, Lumiere Place, opened in December directly across the Mississippi River in St. Louis, Missouri. This casino, which is in direct competition with both the Casino Queen and Alton's riverboat, generated $29.7 million in adjusted gross receipts in the first 2 ½ months of its existence. That is $29.7 million in gambling money that did not go towards Illinois gaming revenues.

The website of Lumiere Place may be proof that out-of-state casinos are eager to take advantage of Illinois' smoking ban and attract the common smoking gambler. The site's casino opening webpage shows a man smoking a cigar while gambling at their facility. While early, it appears that this marketing strategy is working as not only has the Casino Queen seen a dramatic slowdown, but also Alton's adjusted gross receipts have fallen 25% since the beginning of the calendar year. While there is little argument that Illinois casinos are healthier in a no-smoke environment, early indications are that Illinois riverboats in direct competition with casinos without a smoking ban will struggle in the foreseeable future.

A table displaying Illinois' riverboat figures on a boat-by-boat basis since the smoking ban took effect is shown below. These figures also indicate that admission levels since the smoking ban began have not fallen as sharply as adjusted gross receipt levels. This may show that while many gamblers are still attending Illinois riverboats, they are not gambling as long because they are either taking "smoke breaks" or leaving earlier than they would have, possibly heading to other state's nearby riverboats. As a result, less money is gambled in Illinois.

Performance of Illinois Riverboats Since Smoking Ban Began
(January-February 2008 vs. January-February 2007)

	Adjusted Gross Receipts Annual % Change	Admissions Annual % Change
ALTON	-23.0%	-9.3%
EAST PEORIA	-3.7%	8.5%
ROCK ISLAND	-16.5%	-3.9%
JOLIET EMPRESS	-24.6%	-13.1%
METROPOLIS	-17.0%	-17.0%
JOLIET HARRAH'S	-13.9%	5.3%
AURORA	-13.5%	-9.2%
EAST ST. LOUIS	-1.3%	14.5%
ELGIN	-18.0%	-6.7%
TOTAL	**-15.2%**	**-2.8%**

From a State riverboat perspective, the declining adjusted gross receipt figures have had a direct impact on State revenues. Due to these struggles, State revenues from riverboat gambling are expected to come in much below initial

FY 2008 estimates. Over the past two fiscal years, any decline in riverboat figures were offset by a hold harmless provision which guaranteed certain levels of tax revenues. However, this provision expired in FY 2007, leaving the State to collect whatever the current tax structure renders.

Based on current trends and the assumption that the factors hurting Illinois riverboats (struggling economy, smoking ban, increased competition) will continue, the Commission estimates State riverboat transfers to be $625 million in FY 2008, down from the $685 million transferred in FY 2007. Assuming no changes to the current tax structure or the smoke ban law, in FY 2009, the Commission expects State riverboat revenues to continue to struggle and to fall to near $615 million. Of course, any changes affecting Illinois riverboat industry would cause this estimate to be revisited.

FY 2008 Investment Returns for the State-Funded Retirement Systems

Dan Hankiewicz, Pension Manager

Table 1 below shows a month-by-month summary of net investment returns for the State-funded retirement systems for Fiscal year 2008.

TABLE 1

Year-to-Date Net Investment Returns
All State Retirement Systems
FY 2008
(Percentage Returns)

Month	TRS	SERS	SURS	JRS	GARS
February	NA*	-1.20	-0.60	-1.20	-1.20
January	-4.49	-3.54	-3.90	-3.54	-3.54
December	-0.22	0.50	-0.70	0.50	0.50
November	-2.72	-2.92	-2.70	-2.92	-2.92
October	2.38	1.52	2.30	1.52	1.52
September	3.29	2.56	3.90	2.56	2.56
August	0.25	0.40	0.50	0.40	0.40
July	-1.29	-1.88	-1.30	-1.88	-1.88

* February 2008 results are not yet available from TRS.

Based on the investment returns shown above, the Commission's actuary performed an alternative cost study assuming that the State retirement systems realize a 0% investment return in the current fiscal year. CGFA's projections of state contributions under current law and projected contributions assuming a 0% return in FY 2008 are shown in Table 2 on the following page. SERS, SURS, and TRS assume an 8.5% rate of investment return, while GARS and JRS use an 8.0% investment return assumption. The actuary applied these investment return assumptions in his projections of contributions under current law.

As shown in Table 2 below, a 0% investment return in FY 2008 would cause the total FY 2010 pension contribution to increase by approximately $322.0 million.

TABLE 2

CGFA FUNDING PROJECTIONS FOR THE STATE RETIREMENT SYSTEMS
Projections Based on Laws in Effect on June 30, 2007
($ in millions)

Fiscal Year	State Contribution Current Law	State Contribution Assuming no Investment Revenue in FY 2008	Difference
All Systems			
2008	2,070.1	2,070.1	0.0
2009	2,802.9	2,802.9	0.0
2010	3,423.2	3,745.1	321.9
2011	3,565.0	3,905.5	340.5
2012	3,717.0	4,070.8	353.8
TRS			
2008	1,039.2	1,039.2	0.0
2009	1,449.9	1,449.9	0.0
2010	1,692.6	1,869.8	177.2
2011	1,770.1	1,960.2	190.1
2012	1,850.2	2,048.1	197.9
SERS			
2008	638.3	638.3	0.0
2009	827.0	827.0	0.0
2010	1,047.0	1,108.7	61.7
2011	1,086.4	1,150.7	64.3
2012	1,132.9	1,199.7	66.8
SURS			
2008	338.9	338.9	0.0
2009	457.2	457.2	0.0
2010	599.5	679.1	79.6
2011	621.1	703.7	82.6
2012	643.2	728.7	85.5
JRS			
2008	46.9	46.9	0.0
2009	60.0	60.0	0.0
2010	74.1	77.1	3.0
2011	77.0	80.1	3.1
2012	79.9	83.1	3.2
GARS			
2008	6.8	6.8	0.0
2009	8.8	8.8	0.0
2010	10.0	10.4	0.4
2011	10.4	10.8	0.4
2012	10.8	11.2	0.4