Commission on Government Forecasting and Accountability

MONTHLY BRIEFING *DECEMBER 2009*

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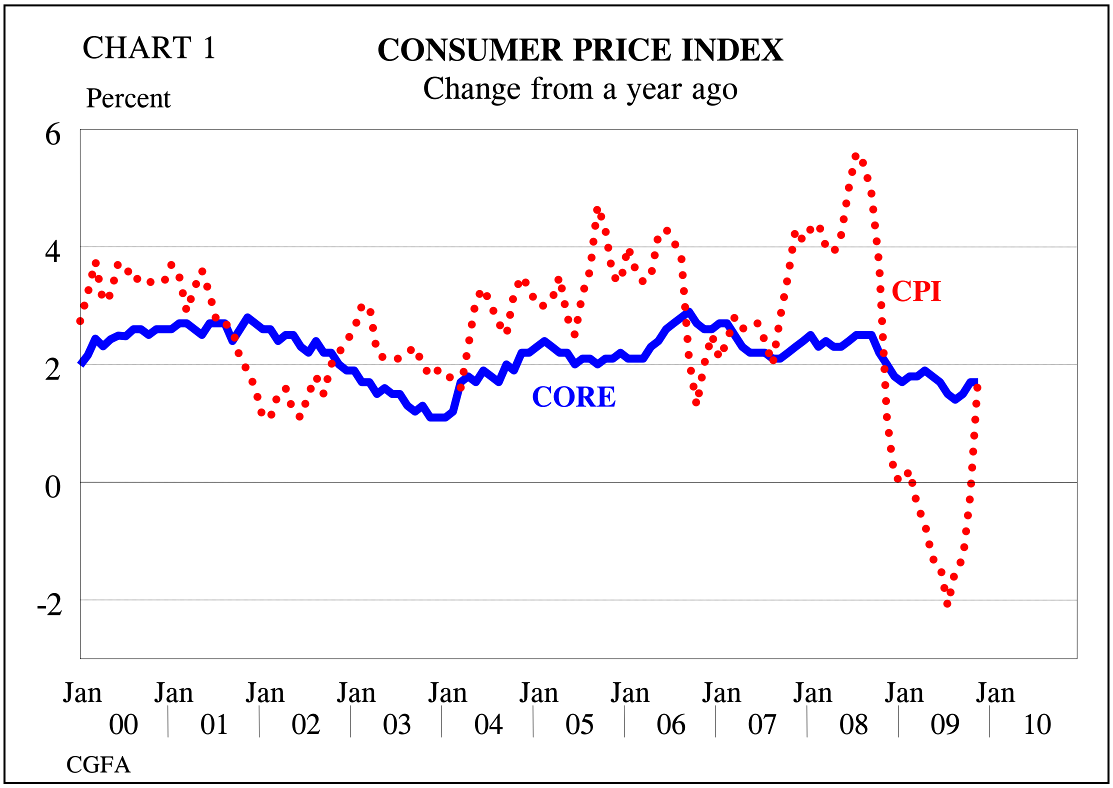
ECONOMY: Inflation Concerns

Edward H. Boss, Jr., Chief Economist

Concerns over upward price pressures appear to be forming as the economy emerges from the severe recession; energy prices exhibit renewed strength, deficit spending soars, and monetary policy remains stimulative. As shown in the accompanying chart, the Consumer Price Index (CPI) increased 1.8% before seasonal adjustment in November to record the first positive 12-month change since February 2009. A major factor behind the sharp swings in the CPI has been the extremely volatile movement in energy prices. For example, crude oil prices hit a record high of $147 a barrel during July 2008; fell to a low of $33 during January 2009, before rising to near $79 a barrel in late December. In contrast, the core rate, or the index for all items less food and energy, held unchanged in November although that followed ten consecutive monthly gains.

The economy, as measured by inflation-adjusted gross domestic product, (GDP) rose in the third quarter of 2009 for the first time since the second quarter of 2008, suggesting that the longest recession since WWII may have ended. This is despite the fact that as more data became available, the rate of gain in GDP was reduced from an advance estimate of 3.5% to 2.8% in the preliminary release to 2.2% in the final report. Despite these downward revisions, however, most forecasters are looking for a somewhat higher increase in the final quarter of the year. This in part reflects somewhat stronger consumer spending as depicted in retail sales this holiday season that were able to avoid a repeat of last year's disaster. According to MasterCard Advisors' Spending Pulse, which track all forms of payment including cash, retail sales rose 3.6% from November 1 through December 24th compared to a 2.3% decline in the year-ago period.

In addition to a stronger consumer, federal government spending is expected to continue to lift GDP. Indeed, federal government spending rose at an annual rate of 8% whereas total GDP rose at



only a 2.2% rate. Indeed, federal government spending contributed 0.6% to the total so without that the gain and all other sectors remaining the same, the rise in GDP would have been only 1.6%. Federal government spending is expected to continue strong as about three-quarters of the massive government stimulus program remains to be spent. Moreover, there are proposals to use TARP funds (Toxic Asset Relief Program) being paid back by banks to extend spending rather than to pay back the money that had been borrowed for it in the first place. In addition, the administration announced it would back Fannie Mae and Freddie Mac mortgages for the next three years no matter how big their losses. Many analysts suggest an even larger budget deficit would arise should the health care reform presently being worked on in the Congress pass.

Finally, while steps taken by the Federal Reserve, at times in coordination with the Treasury, can be given most of the credit for preventing a financial meltdown, there are concerns that overstaying the current level of stimulus will lead to inflation. Many observers point to past periods when the monetary authorities, in fear of cutting an economic recovery short, continued its credit ease too long helping to raise inflationary expectations. Indeed, the Federal Reserve has held the key federal funds rate at 0 to 1/4% since late last year. Moreover at the FOMC meeting in mid-December it concluded, "*The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations,* *are likely to warrant exceptionally low levels of the federal funds rate for an extended period."*

Actions taken in the New Year will largely determine the success or failure of sustained non-inflationary economic growth emerging from what has the worst recession in the post WWII period. To sustain growth will require increased employment, a plan to reduce the federal budget over time, and a monetary policy that begins to remove excess liquidity in the system to avoid renewed inflationary pressures. The task will not be easy.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS	NOV. 2009	OCT. 2009	NOV. 2008
Unemployment Rate (Average)	10.9%	11.0%	6.9%
Annual Rate of Inflation (Chicago)	2.0%	2.1%	1.4%

	LATEST MONTH	% CHANGE OVER PRIOR MONTH	% CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (November)	6,648	0.1%	-0.1%
Employment (thousands) (November)	5,924	0.2%	-4.2%
New Car & Truck Registration (November)	31,419	-6.8%	11.9%
Single Family Housing Permits (November)	658	-25.1%	-0.6%
Total Exports ($ mil) (October)	3,706	6.4%	-22.5%
Chicago Purchasing Managers Index (December)	60.0	6.9%	70.9%

State's Bond Ratings Lowered

Lynnae Kapp, Bond Analyst

TABLE 11: GENERAL OBLIGATION BOND RATINGS

RATING AGENCIES	July 1997	June 1998	June 2000	May 2003	Dec 2008	Mar-July 2009	Dec 2009	MAXIMUM RATING
Fitch Ratings	AA	AA	AA+	AA	AA-	A	A	AAA
Standard & Poor's	AA	AA	AA	AA	AA	AA-	A+	AAA
Moody's Investor Service	Aa3	Aa2	Aa2	Aa3	Aa3	A1	A2	Aaa/Aa1

As Illinois goes to market to sell the $3.466 billion in General Obligation Pension Obligation Notes, the ratings agencies affirmed the current General Obligation ratings and gave them to the Pension Notes. Fitch's A, Standard & Poor's A+, and Moody's A2 all come with negative outlooks on Illinois ratings. Illinois currently has the second to lowest General Obligation ratings from all three ratings agencies.

TABLE 15: STATES WITH THE LOWEST RATINGS			
	Moody's	S&P	Fitch
California	Baa1	A	BBB
Illinois	A2	A+	A
Louisiana	A1	AA-	AA-
Michigan	Aa3	AA-	A+
Kentucky	Aa2	AA-	AA-

Illinois has been downgraded several times by all three ratings agencies in the past year. Beginning in December 2008, Fitch Ratings downgraded the State's General Obligation bonds three levels, stating that "The extent of the current fiscal problem has been clear for several months as revenue estimates downsized; however, comprehensive solutions have been repeatedly delayed…The downgrade reflects the significant scope of the budgetary problem and the failure of the State to enact a budget that fully addresses its current spending needs and its large structural budget deficit. The enacted budget relies heavily on non-recurring revenues, particularly the use of debt to finance current operations, which will contribute to continued difficulty in structuring a balanced budget in the future".

Moody's gave the State's December 2008 G.O. Certificates a MIG 2 rating, lower than the MIG 1 ratings given to the G.O. Certificates of April 2008 and September 2007. The lower rating was given due to the State's stressed liquidity, increases in accounts payable, and the State's current fiscal year deficit. Moody's downgraded the Illinois' General Obligation bonds from Aa3 to A1 in April 2009, citing the state's plan to use deficit borrowing across fiscal years, which they say is a clear indication of fiscal stress, along with other strains on the state's finances. In July, Moody's placed Illinois under review for a possible downgrade, citing among other reasons, "History of political unwillingness to provide sufficient funding to structurally balance the budget". That review ended in a downgraded one level to A2 in December 2009. "The planned deferral of legislative action to address fiscal 2010 imbalances until at least February or March leaves little time in the fiscal year to take actions to materially reverse the trend of financial weakening."

In March 2009, S&P lowered the State's rating to AA-, due to the "State's limited action to date to address what we view as a sizable budget gap for fiscal 2009", which has "weakened liquidity and contributed to substantial payment delays…[T]he State has historically maintained minimal financial reserves that we believe limit flexibility; it also has very high unfunded pension liabilities that will likely create added budget pressure in the next several years". At this time, S&P also put the December 2008 G.O. Certificates, which have an SP-1+ rating, on negative watch due to concerns over the State's liquidity [www.ratingsdirect.com]. The State's rating was lowered again in December 2009. S&P stated, "although we think Illinois has the capacity to restore budget balance due to the absence of tax limitations or stringent constitutional or legal requirements related to spending that we see in other states, its willingness to implement difficult and politically unpopular measures to restore budget balance is questionable in our view high reliance on nonrecurring revenues and the accumulated budget deficit will make the return to structural budget balance unlikely for many years and will likely continue to pressure liquidity. The absence of recurring solutions in the next year to deal with the current budget challenges and begin to stabilize liquidity will likely result in a further downgrade of Illinois.

Due to the State's downgrades, Moody's has also lowered other State-backed bonds such as:

- MPEA Expansion Project and dedicated bonds from A1 to A3;
- The Regional Transportation Authority in June one level to Aa3 and the Chicago Transit Authority in September one level to A1.
- Civic Center Program from A1 to A3; and
- Illinois public universities are now on the watch list for possible downgrades.

Based on the State's ratings, Fitch Ratings dropped the Illinois Sports Facilities Authority down two notches to A- in December 2009 and has lowered both the RTA and CTA's ratings. "The actual security is a state appropriation pledge, so the downgrade of the state prompted a review of related issues."

TABLE 12: BUILD ILLINOIS BOND RATINGS

Rating Agencies	Apr/July 2009	Oct 2009	Dec 2009
Fitch, Inc.	**AA**	**AA**	**AA**
Standard & Poor's	**AAA**	**AAA**	**AAA**
Moody's Investor Service	**Aa3**	**A1**	**A2**

S&P gives the State's sales-tax backed Build Illinois bonds an AAA rating with a stable outlook which "reflects both the state's extremely strong legal protections against dilution of coverage by additional debt and strong sales tax revenue growth." Fitch reaffirmed the State's Build Illinois bonds at an AA rating in July 2009. Moody's downgraded the BI revenue bonds to A1 from Aa3 in April 2009, and then again in December 2009 to A2 as the State sold $155 million in Build Illinois bonds, based on the State's General Obligation rating.

REVENUE

Monthly Revenues Fall $179 Million to End 2009

Federal Sources Stumble in December

Jim Muschinske, Revenue Manager

After experiencing four consecutive months of robust federal source receipting, December saw a pullback as compared to last year, dropping $219 million. While overall transfers performed well, economically related sources posted losses resulting in a net drop of $179 million in monthly revenues. December had one extra receipting day as compared to one year earlier.

For the month, sales tax dropped $72 million reflecting continued consumer hesitation to spend and somewhat refuting retail reports that holiday sales modestly exceeded earlier projections. Gross personal income tax fell $11 million, or $10 million net of refunds. Liquor taxes were down $4 million, inheritance tax $3 million, gross corporate income tax $3 million ($2 million net of refunds), and interest income $2 million.

A few sources posted gains in December. Public utility taxes grew by $15 million, insurance taxes and fees rose by $7 million, other sources $5 million, corporate franchise taxes $4 million and vehicle use tax $1 million.

Overall transfers grew $101 million for the month. While the lottery was flat, other transfers rose $79 million and riverboat transfers gained $22 million. As mentioned, federal sources posted a sizable loss, down $219 million due mostly to higher reimbursable spending last year made possible by $1.4 billion in short-term borrowing undertaken in December 2008.

Year to Date

Through the first half of the fiscal year overall base revenues are down $229 million. However, sizable growth in federal sources mask the extremely poor performance of the other revenue areas. Despite being in the early stages of a recovery, the larger economically related sources such as income and sales continued to suffer from the recession's effect. As continually mentioned in previous revenue briefings, it will be some time before meaningful improvement in receipts can be expected.

Through December, sales tax is down $460 million, while gross personal income tax has declined $349 million, or $315 million net of refunds. Gross corporate income tax is off $121 million, or $100 million net of refunds. Public utility taxes are down $42 million, while all remaining sources showed a net drop of $41 million.

With the second quarter funds sweeps, overall transfers are up $212 million. Other transfers are up $220 million, while riverboat transfers are down $8 million. After enjoying a number of months of significant growth due to reimbursable spending, federal sources were up $517 million.

GENERAL FUNDS RECEIPTS: DECEMBER

FY 2010 vs. FY 2009

($ million)

Revenue Sources	Dec. FY 2010	Dec. FY 2009	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$837	$848	($11)	-1.3%
Corporate Income Tax (regular)	228	231	($3)	-1.3%
Sales Taxes	574	646	($72)	-11.1%
Public Utility Taxes (regular)	121	106	$15	14.2%
Cigarette Tax	29	29	$0	0.0%
Liquor Gallonage Taxes	8	12	($4)	-33.3%
Vehicle Use Tax	3	2	$1	50.0%
Inheritance Tax (Gross)	29	32	($3)	-9.4%
Insurance Taxes and Fees	65	58	$7	12.1%
Corporate Franchise Tax & Fees	19	15	$4	26.7%
Interest on State Funds & Investments	0	2	($2)	-100.0%
Cook County IGT	0	0	$0	N/A
Other Sources	32	27	$5	18.5%
Subtotal	$1,945	$2,008	($63)	-3.1%
Transfers				
Lottery	60	60	$0	0.0%
Riverboat transfers & receipts	42	20	$22	110.0%
Other	99	20	$79	395.0%
Total State Sources	$2,146	$2,108	$38	1.8%
Federal Sources	$393	$612	($219)	-35.8%
Total Federal & State Sources	$2,539	$2,720	($181)	-6.7%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($82)	($83)	$1	-1.2%
Corporate Income Tax	($40)	(41)	$1	-2.4%
Subtotal General Funds	$2,417	$2,596	($179)	-6.9%
Short-Term Borrowing	$0	$1,400	($1,400)	N/A
Hopital Provider Fund (cash flow transfer)	$0	$0	$0	N/A
Budget Stabilization Fund Transfer	$70	$0	$70	N/A
Total General Funds	$2,487	$3,996	($1,509)	-37.8%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 5-Jan-10

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2010 vs. FY 2009

($ million)

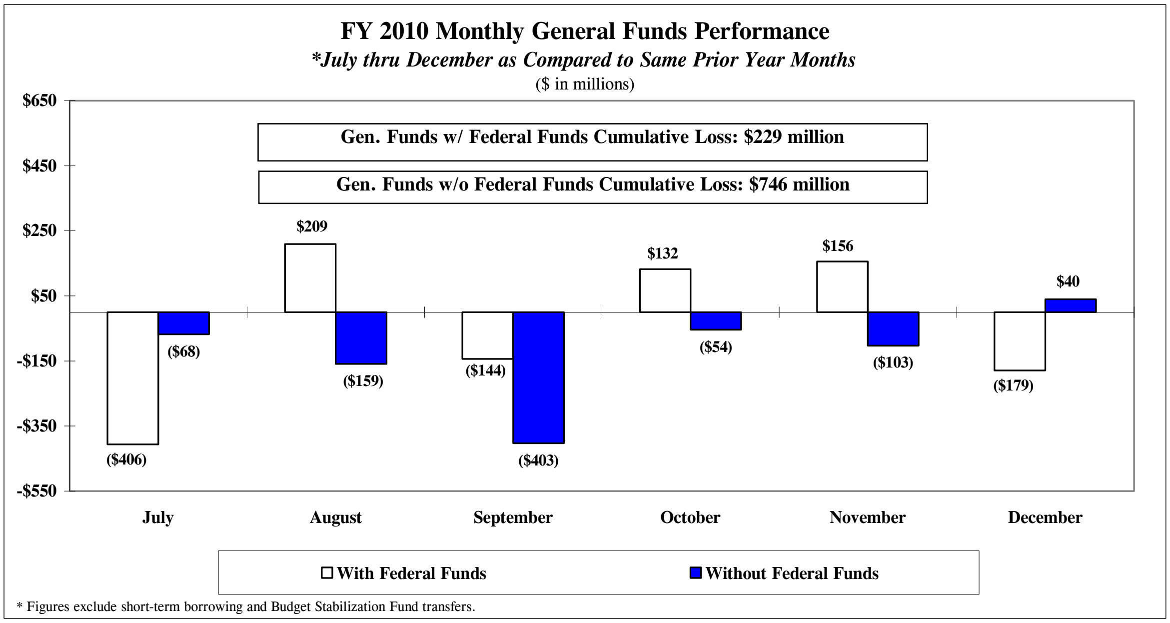
Revenue Sources	FY 2010	FY 2009	CHANGE FROM FY 2009	% CHANGE
State Taxes				
Personal Income Tax	$4,215	$4,564	($349)	-7.6%
Corporate Income Tax (regular)	622	743	($121)	-16.3%
Sales Taxes	3,185	3,645	($460)	-12.6%
Public Utility Taxes (regular)	517	559	($42)	-7.5%
Cigarette Tax	175	175	$0	0.0%
Liquor Gallonage Taxes	76	82	($6)	-7.3%
Vehicle Use Tax	15	15	$0	0.0%
Inheritance Tax (Gross)	116	144	($28)	-19.4%
Insurance Taxes and Fees	157	139	$18	12.9%
Corporate Franchise Tax & Fees	107	106	$1	0.9%
Interest on State Funds & Investments	15	33	($18)	-54.5%
Cook County IGT	56	65	($9)	-13.8%
Other Sources	183	182	$1	0.5%
Subtotal	$9,439	$10,452	($1,013)	-9.7%
Transfers				
Lottery	294	294	$0	0.0%
Riverboat transfers & receipts	242	250	($8)	-3.2%
Other	398	178	$220	123.6%
Total State Sources	$10,373	$11,174	($801)	-7.2%
Federal Sources	$2,860	$2,343	$517	22.1%
Total Federal & State Sources	$13,233	$13,517	($284)	-2.1%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($411)	($445)	$34	-7.6%
Corporate Income Tax	($109)	($130)	$21	-16.2%
Subtotal General Funds	$12,713	$12,942	($229)	-1.8%
Short-Term Borrowing	$1,250	$1,400	($150)	N/A
Hospital Provider Fund (cash flow transfer)	$0	$0	$0	N/A
Budget Stabilization Fund Transfer	$516	$276	$240	87.0%
Total General Funds	$14,479	$14,618	($139)	-1.0%

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

CGFA 5-Jan-10

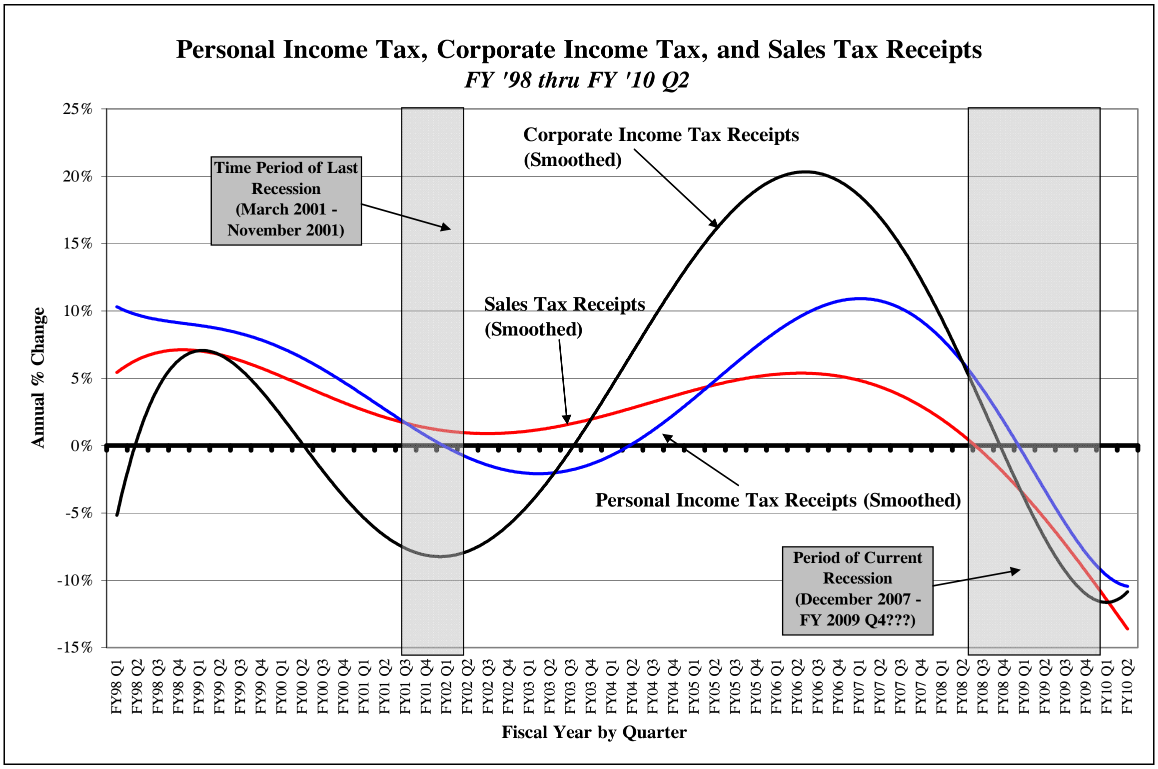
Review of First Half Revenues

As shown through the first half of FY 2010, overall base revenues are down $229 million. The decline is attributed to continued weakness in the economically related areas. If $517 million in federal sources gains are excluded, the falloff in receipts would be a much more troublesome $746 million.

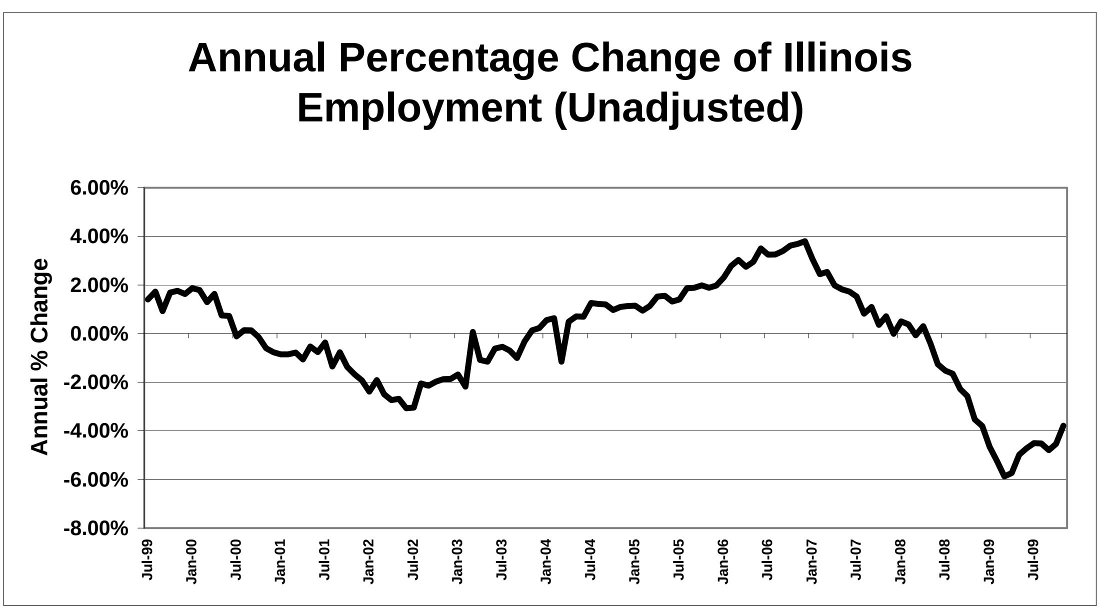


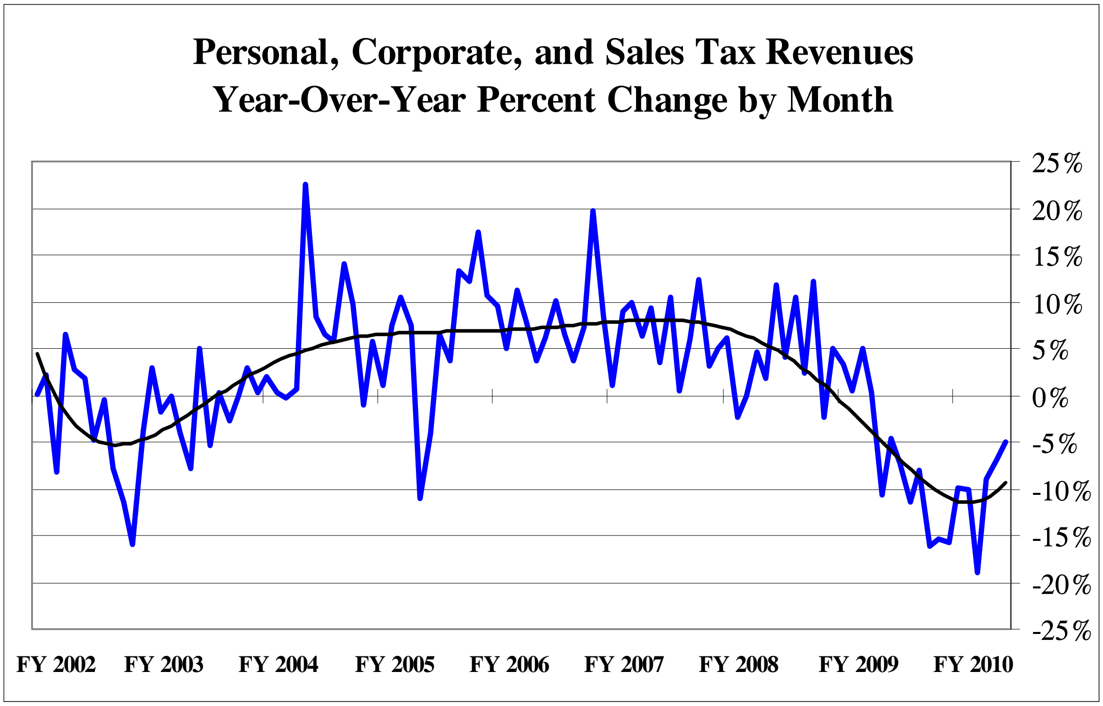
Early Signs of Recovery Phase Manifesting in Revenues?

As evidenced by the last recession in 2001, it took approximately four quarters before the recovery phase manifested in actual receipt improvement from personal income tax and sales tax. Given the current employment figures, there is little reason to anticipate a dramatic turn around soon. However, it appears that minute improvement may be manifesting itself in income taxes, and even sales taxes may be seeking a bottom, although it will take several more months before that is confirmed. (See following chart).



The following chart demonstrates that the employment picture, while still in negative territory, appears to have bottomed, affirming earlier expectations. Again, however, it will take some time before improving economic conditions will translate into a more positive revenue picture. As shown in the next chart on page 11, while the current rates of income and sales tax appear to have bottomed and are slowly improving, they still reside squarely in negative territory. As indicated in earlier briefings, at best, gradual improvement in the rate of loss can be hoped for by fiscal year end.





GOMB's Latest FY 2010 Budget Plan

The table on page 12 details the State's most recent FY 2010 fiscal plan as presented in the December 2009 Preliminary Official Statement. As shown, since enacted, the State's budget has deteriorated from an expected $279 million surplus, to an anticipated deficit of $1.996 billion. When a negative $3.674 billion budgetary basis to begin the fiscal year is included, the budgetary deficit at the end of FY 2010 is expected to grow from an earlier calculated $3.395 billion to a revised $5.670 billion.

The document includes the comment, "The Governor anticipates seeking additional revenues and cost reductions to address the Fiscal Year 2010 deficit when the legislature meets in February 2010". [p. 20].

GOMB anticipates revenues to fall $1.096 billion below their assumptions used to craft the enacted budget. The reductions are described as being attributed to: a net reduction in personal income tax of $767 million; a falloff of approximately $100 million to delay of debt restructuring; a reduction in Medicaid appropriation of $300 million will result in a downward revision of $180 million in federal revenues to the general funds; and, transfers from riverboat gaming are revised down $50 million.

GOMB anticipates spending to be $1.179 billion higher than the adopted budget comprised of an increase of $777 million in net appropriation spent and an increase of $402 in transfers out.

Latest Budget Plan--FY 2008 to FY 2010 Source: Based on December 30th, 2009 Preliminary Official Statement page 22. $ millions				
			FY 2010	
	FY 2008 Actual	Estimated Results (9/9/09) FY 2009	Adpoted Budget FY 2010	Revised (12/15/09) FY 2010
Revenues [GOMB]	$29,659	$29,144	$29,299	$28,203
Appropriations	$27,538	$29,857	$26,085	$26,310
less unspent approp	($385)	($322)	($951)	($400)
Net Approp Spending	$27,153	$29,535	$25,134	$25,910
Statutory Transfers Out				
approx. POB Debt Service [incl. FY10 PONs]	$467	$467	$520	$520
Continuing Pension Approp.	$0	$426	$0	$0
Reduced Pension Transfer	$0	$0	$0	$0
Legislatively Required Transfers	$2,735	$2,532	$2,321	$2,724
Total Transfers Out	$3,202	$3,425	$2,841	$3,244
Total Operating Spending and Transfers Out	$30,355	$32,960	$27,975	$29,154
Operating Deficit (Surplus)	($696)	($3,816)	$1,324	($951)
Short-term Borrowing	$2,400	$2,400	$1,250	$1,250
Repay of Short-term Borrowing [w/ interest]	($2,403)	($1,424)	($2,295)	($2,295)
Budget Deficit (Surplus)	($699)	($2,840)	$279	($1,996)
Budgetary Basis to Begin Year	($135)	($834)	($3,674)	($3,674)
Budget Deficit at End of Year	($834)	($3,674)	($3,395)	($5,670)
Note: Figures may not exactly match Preliminary Official Statement due to rounding.				
CGFA				

Revised FY 2010 Revenue Outlook

The State's enacted budget assumed revenues would reach $29.299 billion. In the September Monthly Revenue Briefing, CGFA raised numerous warnings related to the FY 2010 revenue outlook. That was quickly followed by a Comptroller's report indicating that Offices concern with the backlog of unpaid bills. Finally, during the first week of the fall veto session, officials from the GOMB warned that revenues were expected to fall well short of budgeted expectations.

The following table provides an abbreviated view of the current fiscal year, comparing updated CGFA and GOMB revenue projections, as well as subsequent revenue shortfalls when compared to enacted budget assumptions.

Base Revenues [$millions]	Adopted Budget Estimated (GOMB) FY 2010	CGFA Jan.-10 Estimated FY 2010	GOMB Dec.-09 Estimated FY 2010	Difference
State Sources	$19,947	$19,253	$19,081	$172
Transfers	$2,221	$2,195	$2,171	$24
Federal Sources	$7,131	$6,951	$6,951	$0
Total	$29,299	$28,399	$28,203	$196
Change from Budgeted		($900)	($1,096)	

As shown, based upon revised revenue estimates detailed in the GOMB's December Preliminary Official Statement related to the upcoming $3.5 billion bond sale, their latest forecast calls for revenues to reach only $28.203 billion. That reflects a shortfall from budgeted expectations of $1.096 billion. Utilizing revised federal figures based on anticipated spending, as well as incorporating year-to-date figures and second half assumptions, CGFA has arrived at a figure of $28.399 billion. Overall, the magnitude of expected revenue falloff is fairly similar, although CGFA's estimate is $196 million higher than GOMB's revised forecast. CGFA expects overall state source revenues to perform marginally better than the GOMB, and transfers to perform just slighter ahead of their expectations.

Report on the Downstate Police and Fire Pension Funds
Mallory Morton, Pension Analyst

The Commission recently released its first report on the Downstate Police and Downstate Fire Pension Funds of Illinois. Pursuant to Public Act 95-0950 (House Bill 5088), each odd numbered year, the Commission is required to issue a formal report providing aggregate analyses of selected police and fire systems. In addition, the report examines the fiscal status of the selected individual funds in each system. The Commission chose the following cities' police and fire pension funds to analyze: Arlington Heights, Bellwood, Champaign, Springfield, and Wilmette.

The report analyzes various factors that affect each selected individual fund's unfunded liability and any actuarial gains and losses caused by salary increases, investment returns, employer contributions, benefit increases, changes in assumptions, the difference in employer contributions and the normal cost plus interest, and any other applicable factors. In analyzing net investment returns, the report examines the assumed investment return compared to the actual investment return over the preceding ten fiscal years.

Also in the report are fiscal analyses of three Public Acts that had significant impacts on the Downstate Police and Downstate Fire funds of Illinois. These fiscal analyses are outlined in Tables 1-3 below. Table 1 shows the fiscal analysis of Public Act 91-0939 (Senate Bill 0851), which became effective on February 1, 2001. Table 2 shows the fiscal analysis of Public Act 91-0466 (Senate Bill 0856), which became effective on August 6, 1999. Table 3 shows the fiscal analysis of Public Act 93-0689 (House Bill 0599), which became effective on July 1, 2004.

P.A. 91-0939 (Downstate Police)

- Implemented a flat 2.5% per year retirement formula allowing maximum pension of 75% salary to be reached at 30 years instead of 35 years.

- Permit receipt of three years of creditable service while on disability.
- Duty or occupational disease disability equal to the greater of 65% of salary or pension
- Survivor's annuity of 100% of salary for duty death

P.A. 91-0466 (Downstate Fire)

- Implemented a flat 2.5% per year retirement formula allowing maximum pension of 75% of salary to be reached at 30 years instead of 35 years.
- Permit receipt of three years of creditable service while on disability
- Duty or occupational disability equal to the greater of 65% of salary or pension
- Survivor's annuity of 100% salary for duty death
- Increased minimum pension for survivors from $600 to $1,000 over three years

P.A. 93-0689 (Downstate Fire)

- Surviving spouse annuity of 100% of pension earned by decedent, retroactive to January 1, 2004
- Increased minimum pension for survivors
- Retroactively and prospectively increased children's annuities
- Implemented reciprocity between Downstate fire funds and provided for transfer of service credit between IMRF and Downstate Fire funds.

The full report is available on the Commission's website.

TABLE 1

Downstate Police Pension Funds
Estimate of Impact of Benefit Increases
Under Public Act 91-0939 (Effective 2/1/2001)
on Annual Required Contribution
For FY 2004 - FY 2008

	Annual Required Contribution	Estimated Annual Required Contribution Without Benefit Increases	Estimate of Increase in Annual Required Contribution Due to Benefit Increases
Arlington Heights Police			
5/1/2004	1,811,697	1,733,940	77,757
5/1/2005	2,064,339	1,985,876	78,463
5/1/2006	2,182,071	2,100,341	81,730
5/1/2007	2,730,049	2,647,070	82,979
5/1/2008	2,244,687	2,157,288	87,399
TOTAL	11,032,843	10,624,515	408,328
Bellwood Police			
12/31/2003	777,406	748,403	29,003
12/31/2004	871,522	839,806	31,716
12/31/2005	1,052,799	1,017,852	34,947
12/31/2006	1,045,597	1,009,168	36,429
12/31/2007	1,110,769	1,074,651	36,118
TOTAL	4,858,093	4,689,880	168,213
Champaign Police			
6/30/2004	3,095,408	3,002,006	93,402
6/30/2005	4,306,692	4,209,156	97,536
6/30/2006	4,610,624	4,509,177	101,447
6/30/2007	4,515,271	4,414,100	101,171
6/30/2008	4,717,039	4,604,004	113,035
TOTAL	21,245,034	20,738,443	506,591
Springfield Police			
2/29/2004	3,531,702	3,329,627	202,075
2/28/2005	3,953,059	3,753,884	199,175
2/28/2006	4,460,984	4,243,446	217,538
2/28/2007	4,801,235	4,577,879	223,356
2/29/2008	5,382,890	5,159,867	223,023
TOTAL	22,129,870	21,064,703	1,065,167
Wilmette Police			
12/31/2004	774,290	716,887	57,403
12/31/2005	789,384	728,850	60,534
12/31/2006	859,890	798,443	61,447
12/31/2007	1,016,367	950,415	65,952
12/31/2008	1,314,149	1,245,416	68,733
TOTAL	4,754,080	4,440,011	314,069

TABLE 2

Downstate Fire Pension Funds
Estimate of Impact of Benefit Increases
Under Public Act 91-0466 (Effective 8/6/1999)
on Annual Required Contribution
For FY 2004 - FY 2008

	Annual Required Contribution	Estimated Annual Required Contribution Without Benefit Increases	Estimate of Increase in Annual Required Contribution Due to Benefit Increases
Arlington Heights Fire			
5/1/2004	1,881,179	1,778,417	102,762
5/1/2005	2,134,795	2,032,637	102,158
5/1/2006	2,554,228	2,446,374	107,854
5/1/2007	2,239,939	2,122,455	117,484
5/1/2008	2,977,176	2,854,769	122,407
TOTAL	11,787,317	11,234,652	552,665
Bellwood Fire			
12/31/2003	299,307	269,901	29,406
12/31/2004	407,490	381,566	25,924
12/31/2005	515,150	489,109	26,041
12/31/2006	534,668	505,641	29,027
12/31/2007	691,218	662,403	28,815
TOTAL	2,447,833	2,308,620	139,213
Champaign Fire			
6/30/2004	1,546,123	1,468,270	77,853
6/30/2005	2,306,764	2,223,831	82,933
6/30/2006	2,716,144	2,626,904	89,240
6/30/2007	2,827,252	2,726,434	100,818
6/30/2008	3,163,746	3,060,837	102,909
TOTAL	12,560,029	12,106,276	453,753
Springfield Fire			
2/29/2004	3,414,096	3,231,267	182,829
2/28/2005	3,898,795	3,719,890	178,905
2/28/2006	4,405,554	4,203,362	202,192
2/28/2007	5,349,896	5,140,926	208,970
2/29/2008	6,131,904	5,910,173	221,731
TOTAL	23,200,245	22,205,618	994,627
Wilmette Fire			
12/31/2004	818,345	767,844	50,501
12/31/2005	1,078,808	1,027,695	51,113
12/31/2006	1,117,035	1,064,997	52,038
12/31/2007	1,245,768	1,188,891	56,877
12/31/2008	1,601,398	1,540,669	60,729
TOTAL	5,861,354	5,590,096	271,258

TABLE 3

Downstate Fire Pension Funds
Estimate of Impact of Benefit Increases
Under Public Act 93-0689 (Effective 7/1/2004)
on Annual Required Contribution
For FY 2004 - FY 2008

	Annual Required Contribution	Estimated Annual Required Contribution Without Benefit Increases	Estimate of Increase in Annual Required Contribution Due to Benefit Increases
Arlington Heights Fire			
5/1/2004	N/A	N/A	N/A
5/1/2005	2,134,795	1,803,942	330,853
5/1/2006	2,554,228	2,204,926	349,302
5/1/2007	2,239,939	1,859,451	380,488
5/1/2008	2,977,176	2,580,742	396,434
TOTAL	9,906,138	8,449,061	1,457,077
Bellwood Fire			
12/31/2003	N/A	N/A	N/A
12/31/2004	407,490	312,115	95,375
12/31/2005	515,150	419,345	95,805
12/31/2006	534,668	427,878	106,790
12/31/2007	691,218	585,208	106,010
TOTAL	2,148,526	1,744,546	403,980
Champaign Fire			
6/30/2004	N/A	N/A	N/A
6/30/2005	2,306,764	1,974,014	332,750
6/30/2006	2,716,144	2,358,090	358,054
6/30/2007	2,827,252	2,422,741	404,511
6/30/2008	3,163,746	2,750,848	412,898
TOTAL	11,013,906	9,505,693	1,508,213
Springfield Fire			
2/29/2004	N/A	N/A	N/A
2/28/2005	3,898,795	3,245,692	653,103
2/28/2006	4,405,554	3,667,443	738,111
2/28/2007	5,349,896	4,587,039	762,857
2/29/2008	6,131,904	5,322,464	809,440
TOTAL	19,786,149	16,822,638	2,963,511
Wilmette Fire			
12/31/2004	818,345	643,334	175,011
12/31/2005	1,078,808	901,676	177,132
12/31/2006	1,117,035	936,698	180,337
12/31/2007	1,245,768	1,048,662	197,106
12/31/2008	1,601,398	1,390,944	210,454
TOTAL	5,861,354	4,921,314	940,040

Financial Condition of the State Retirement Systems

Gregg Scott, Pension Analyst

Tables 1 and 2 below summarize the financial condition of the State-funded retirement systems as reflected in the systems' FY 2009 actuarial reports. P.A. 96-0043 provided for "asset smoothing," which means that for purposes of determining the State contribution for FY 2011 and beyond, any actuarial gains and losses from year shall be recognized in equal annual amounts over the five-year period following that fiscal year. Table 1 shows the systems' actual financial condition as of June 30, 2009 with the systems assets valued at market value, while Table 2 reflects asset smoothing pursuant to P.A. 96-0043.

TABLE 1

Summary of Financial Condition
State Retirement Systems
Without Asset Smoothing
FY 2009
($ in Millions)

System	Accrued Liability	Net Assets	Unfunded Liability	Funded Ratio
TRS	$73,027.2	$28,531.3	$44,495.9	39.1%
SERS	$25,298.3	$8,565.8	$16,732.5	33.9%
SURS	$26,316.2	$11,033.0	$15,283.2	41.9%
JRS	$1,548.5	$483.5	$1,065.0	31.2%
GARS	$245.2	$55.6	$189.6	22.7%
TOTAL	$126,435.4	$48,669.2	$77,766.2	38.5%

TABLE 2

State Retirement Systems With Asset Smoothing FY 2009 ($ in Millions)				
System	Accrued Liability	Actuarial Assets	Unfunded Liability	Funded Ratio
TRS	$73,027.2	$38,026.0	$35,001.2	52.1%
SERS	$25,298.3	$11,000.0	$14,298.3	43.5%
SURS	$26,316.2	$14,282.0	$12,034.2	54.3%
JRS	$1,548.5	$616.8	$931.7	39.8%
GARS	$245.2	$71.6	$173.6	29.2%
TOTAL	$126,435.4	$63,996.4	$62,439.0	50.6%