# PENSIONS



Report on the Financial Condition of the Illinois Public Employee Retirement Systems

Commission on Government Forecasting & Accountability 703 Stratton Office Building Springfield, IL 62706

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## Commission on Government Forecasting and Accountability

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## **Executive Summary**

This report examines the financial status of the various public employee retirement systems in Illinois. The following is a summary of the findings:

- Public Act 88-0593 requires the State to make contributions to the State retirement systems such that the total assets of the systems will equal 90% of their total actuarial liabilities by Fiscal Year 2045. The contributions are required to be made at a level percent of payroll in Fiscal Years 2011 through 2045, following a phase-in period that began in Fiscal Year 1996.
- Public Act 88-0593 was modified by Public Act 93-0002 to allow pension obligation bond authorization of \$10 billion. The proceeds from this 2003 bond sale were used in part to pay State contributions to the retirement systems in FY 2003 and FY 2004.
- This report covers the period from FY 1998 through FY 2006. During that time, the unfunded liabilities grew for all of the five State retirement systems, with the combined unfunded liabilities of the systems increasing by \$27.0 billion. The main factors in increasing the unfunded liabilities were actuarially insufficient employer contributions, lower-than-assumed investment returns in 3 years, and benefit increases, along with other miscellaneous factors, including assumptions pertaining to rates of mortality and other actuarial factors.
- The discussion of the financial condition of the State retirement systems centers on the funded ratio, or net assets divided by accrued liabilities. A system with a 100% funded ratio is fully funded because its assets are sufficient to pay all benefits earned by employees. The funded ratio of the State retirement systems combined was 60.5% as of June 30, 2006.
- Projections of the future financial condition of the State retirement systems provide valuable information on the effect that past funding has had on the systems' financial position. Our projections were prepared using funding levels established by laws currently in effect.
- If the State continues funding according to current law, the accrued liabilities of the State retirement systems will increase from approximately \$108.8 billion at the end of FY 2007 to an estimated \$463.5 billion at the end of FY 2045. At the same time, assets are projected to increase from \$64.6 billion to \$417.1 billion. Consequently, the unfunded liabilities are projected to increase from \$44.2 billion at the end of FY 2007 to \$46.4 billion at the end of FY 2045, and the funded ratio is expected to decrease slightly from 59.4% in FY 2007, and then increase to 90.0% by the end of FY 2045.

# I. The Illinois Constitution And The Pension Code

#### The Illinois State Constitution

Regarding pensions, the Illinois State Constitution of 1970, in Article XIII, Section 5, stipulates:

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.

Within this broad restriction, the General Assembly and the Governor have the ability to set pension benefits for virtually all public employees in the State.

#### The Illinois Pension Code

Pension benefits and regulations for public employees are set by lawmakers in great detail in the Illinois Pension Code (40 ILCS 5/1-101 et. seq.). The 24 Articles of the Illinois Pension Code establish 17 separate retirement plans, outlining their governing boards, designating those employees who qualify for membership in the system, and setting forth the benefits to employees as well as the contributions required of them and their employers. The Code also identifies the financial guidelines under which pension fund assets may be invested and describes how pensions should be paid to employees who have earned benefits under more than one system.

This report provides an analysis of the funding and financial condition of all of the major public employee retirement systems in the State of Illinois. Those retirement systems whose employer contributions are made entirely by the State of Illinois are commonly referred to as the State-funded retirement systems. There are 5 such systems, as shown below:

-Teachers' Retirement System (TRS) -State Employees' Retirement System (SERS) -State Universities' Retirement System (SURS) -Judges' Retirement System (JRS) -General Assembly Retirement System (GARS)

The titles of these systems describe the covered employees. In addition to the State retirement systems, this report provides an analysis of the following other major public employee retirement systems:

-Firemen's Annuity and Benefit Fund of Chicago
-Laborers' Annuity and Benefit Fund of Chicago
-Municipal Employees' Annuity and Benefit Fund of Chicago
-Park Employees' Annuity and Benefit Fund of Chicago
-Policemen's Annuity and Benefit Fund of Chicago
-Public School Teachers' Pension and Retirement Fund of Chicago
-Chicago Transit Authority Retirement Fund
-Metropolitan Water Reclamation District Retirement Fund
-Cook County Employees' Pension Fund
-Cook County Forest Preserve Employees' Pension Fund
-Illinois Municipal Retirement Fund

The titles of these various retirement systems also provide a description of the covered employees and their work locations.

# II. FINANCING AND LEGISLATIVE OVERVIEW

#### The Actuarial Science

The actuaries of the various retirement systems maintain ongoing estimates of the amounts employers will be obligated to pay in the future for the pensions their employees have earned up to the present. Known as accrued liabilities, these actuarially determined values are an estimate of the amount of money that should be on hand now (the present value) so that, together with the investment income that is expected to be earned on that amount, they will provide sufficient money to pay retirement benefits expected to be earned by employees in service on the date the estimate is made. Accrued liabilities are based on the cost of benefits under the plan at the time of the estimate as well as actuarial assumptions concerning expected future salary increases, investment returns, mortality rates, disabilities, turnover, and other factors. Because most of the factors involved in calculating a system's accrued liabilities cannot be known with certainty, the accrued liabilities are an actuary's best estimate based on probabilities.

It is important to understand what accrued liabilities represent because they are probably the most important concept in actuarial science. Various actuarial cost methods have been devised to allocate systematically to employers and employees the expenses incurred under a pension plan as employees earn benefits. In other words, an actuarial cost method determines how much money should be set aside each year so that, when the employee retires, the system will be able to pay the benefits that were earned. An actuarial funding method is also used to determine the contributions required in order to meet the costs of currently accruing benefits and improve or stabilize the system's financial condition.

Under one actuarial cost method, "normal cost plus interest," a retirement system would be funded sufficiently to pay the liabilities incurred for benefits earned by employees during the year, plus pay the interest on any unfunded liabilities. This funding method would prevent a system's unfunded liabilities from growing, but would not diminish them. We will employ this concept in this report to gauge the magnitude of changes in the unfunded liabilities in the various public retirement funds. The Illinois Pension Code requires the State to make contributions to the State systems so the total assets of the systems will equal 90% of their total actuarial liabilities by fiscal year 2045.

Because the accrued liabilities of a retirement system are an estimate, no single, "correct" value can be actuarially designated as a plan's cost. For example, two actuaries given the same basic information for a retirement system might come up with slightly differing estimates of both the accrued liabilities and the amounts that should be contributed in a given year. This can occur because the actuaries might make different assumptions about investment returns, salary growth, turnover, and life expectancy, or use different actuarial cost methods in performing the calculations. Actuaries generally conduct experience analyses every three to five years to determine how closely their assumptions have matched the actual plan experience. If necessary, a system's actuary recommends that its board of trustees adopt changes in their actuarial assumptions, which can cause the system's unfunded liabilities to rise or fall.

A retirement system's financial condition is inseparable from the employer's funding practices. By funding the system in a systematic and rational manner, the employer

ensures there will be adequate resources available to cover the obligations of the system as they come due and not shift the costs of current services to future generations. The amount on hand when an employee retires should equal the present value of all the benefits he or she (or any survivors) is expected to receive.

#### Sources of Contributions

A sound funding method relates the employer's contributions to the cost of benefits being earned by employees and also addresses the retirement system's financial well-being in some way. Since employees' contributions in Illinois are set by statute and investment income depends on market conditions, most of the discussion of retirement system financing focuses on the employer's contributions. In the case of the five State systems the focus is on State appropriations to the retirement systems.

Studying the financial condition of the retirement systems necessitates an examination of the sources of their funding. Three primary sources of contributions finance Illinois' State retirement systems:

- 1) <u>Employee contributions</u>. A percent of salary determined by statute that is automatically deducted from an employee's paycheck.
- 2) <u>Employer contributions</u>. The amount that is actually contributed by the employer. The Illinois Pension Code sets specific requirements for employers' contributions based upon actuarial forecasts.
- 3) <u>Returns on investments</u>. Interest, dividends and gains (or losses) on investments. This amount fluctuates from year to year because it is dependent upon the system's accumulated assets, investment selection and allocation, and financial market conditions.

#### **Employee Contributions**

The employee contributions for the various retirement systems are set in the Pension Code. Generally, the amount of the statutorily required employee contribution depends on a system's benefit level, or the cost of the benefits provided by the system.

#### Teachers' Retirement System

Members of the Teachers' Retirement System are required to contribute 9.4% of salary to the system. Of that amount, 7.5% of salary is earmarked to fund the retirement benefit, 0.5% of salary funds the automatic annual increase, and 1.0% of salary funds the death benefits. The remaining 0.4% of salary funds the optional Early Retirement Option (ERO). This 0.4% is refunded, without interest, if the member does not utilize the ERO or if the ERO is not available for the member to utilize at retirement.

#### State Employees' Retirement System

For SERS members, employee contributions were picked up by the State on behalf of the employee, due to a collective bargaining agreement that became effective January 1, 1992. As of July 1, 2003, Merit Comp (non-union) employees covered under the regular SERS

formula began contributing 4% of salary towards SERS. As of January 1, 2006, bargaining unit employees covered under the regular SERS formula also began contributing the full 4% of salary. Currently, employees under the SERS alternative formula who are coordinated with Social Security contribute 8.5% of salary to SERS. Employees covered under the alternative formula who are not coordinated with Social Security contribute 12.5% of salary to SERS.

#### State Universities' Retirement System

Members of the State Universities' Retirement System make pension contributions of 8% of salary. Of that amount, 6.5% of salary is applied to the normal retirement benefit, 0.5% of salary funds the automatic annuity increase, and 1.0% funds the survivor's annuity benefit. The SURS Self-Managed Plan (SMP) ia a defined contribution plan that establishes an account into which employee contributions and employer (State of Illinois) matching contributions are placed. Employees decide how their account balance will be invested, selecting from a variety of mutual funds and variable annuities. Employees become fully vested in the SMP after earning 5 years of service credit. SURS members who choose the SMP option contribute 8.0% of salary with a State match of 7.6% of salary. Disability benefits are funded by 1% of the State contribution.

#### Judges' Retirement System

Members of the Judges' Retirement System make pension contributions of 11.0% of their salary. Of that amount, 7.5% is earmarked to fund the judges' retirement annuity, 1.0% of salary funds the automatic annuity increase, and 2.5% of salary funds the optional survivor's annuity benefit.

#### General Assembly Retirement System

Members of the General Assembly Retirement System make pension contributions of 11.5% of salary. Of that amount, 8.5% is earmarked to fund the legislator's retirement annuity, 1.0% of salary funds the automatic annuity increase, and 2.0% of salary funds the optional survivor's annuity benefits.

#### **Employer** Contributions

Over the last decade, several significant changes have been made in the funding provisions of the State-funded retirement systems.

#### Public Act 88-0593

In Illinois, employee contributions to the State retirement systems are set by statute as a percent of payroll. The employer contributions are also set by statute for all of the systems. Public Act 88-0593 added statutory language applicable to the five State systems that requires the State to make contributions as a level percent of payroll in fiscal years 2011 through 2045, following a phase in which began in fiscal year 1996. The contributions are required to be sufficient, when added to employee contributions, investment income, and other income, to bring the total assets of the system to 90% of the actuarial liabilities by fiscal year 2045. Each system is required to certify the amount necessary for the next fiscal year by November 15 of the current fiscal year, for inclusion in the Governor's budget. For example, the FY 2007 actuarial reports will be released in November 2007, and will contain the actuarially certified contributions for FY 2009.

#### Public Act 92-0566

Public Act 92-0566 created the 2002 Early Retirement Incentive for certain SERS members and a few employees covered by TRS. The ERI allowed members to purchase up to five years of service credit and age enhancement. Eligible members were then required to leave employment between July 1, 2002 and December 31, 2002. Over 11,000 members took advantage of the ERI, and a majority of the participants were eligible to receive benefits immediately following termination.

Public Act 92-0566 required the two systems to determine and report the amount of net increase in accrued liability due to the ERI. In FY 2004, the State was required to contribute \$70 million to SERS and \$1 million to TRS towards this liability.

Public Act 92-0566 required SERS to determine the net increase in the unfunded liability resulting from the ERI and report the amount to the Governor and the Commission on Government Forecasting and Accountability. The Act specified that for Fiscal Years 2005 through FY 2013, the State must amortize at 8.5% interest the remaining ERI liability in equal annual installments as certified by SERS. However, Public Act 94-0004 (SB 27) eliminated the 10 year, level dollar ERI amortization. Hence, the liabilities associated with the ERI are not funded separately, but rather as part of the regular funding plan for the 5 State funded retirement systems.

#### Public Act 93-0002

Public Act 93-0002 (HB 2660) amended the General Obligation Bond Act to increase bond authorization by \$10 billion. These general obligation bonds were designated as a pension funding series. The State used a portion of the bond proceeds to pay part of the FY 2003 State contribution and all of the FY 2004 State contributions to the retirement systems. Of the \$10 billion, \$7.3 billion was used to reduce the unfunded liabilities of the State-funded retirement systems.

Along with the \$10 billion increase in bond authorization, Public Act 93-0002 included a provision requiring State contributions to the retirement systems to be reduced by the amount of the debt service (the amount of principal and interest payments) on the bonds. The legislation set the maximum annual employer contribution to each system at the amount

that would have been contributed without the bond issuance, minus the total debt service payments for the fiscal year. Effectively, the reduction in retirement contributions is used to pay the debt service on the bonds.

#### Public Act 93-0839

Public Act 93-0839 provides SERS will collect a portion of the SERS debt service on the bonds from State agency budgets, as is currently done with the employer contributions, rather than being paid directly from GRF to the General Obligation Bond Retirement and Interest Fund (GOBRI). The debt service collected by SERS would then be transferred to GOBRI. Allowing SERS to collect debt service through agency payrolls requires non-GRF funds (including federal funds) to pay part of the debt service.

#### Public Act 94-0004

In addition to the effects discussed above, Public Act 94-0004 changed the funding plan created in 1994 by Public Act 88-0593 by setting the State contribution levels for FY 2006 and FY 2007, rather than requiring the State to make contributions based on actuarial calculations contained in statute. In addition, the separate funding of the liability created by the 2002 SERS Early Retirement Incentive was eliminated. Table 1 provides a comparison of the FY 2006 and FY 2007 projected contributions with the State contributions required by Public Act 88-0593.

| Public Act 88-0593 Contributions vs. |            |            |            |            |            |            |  |
|--------------------------------------|------------|------------|------------|------------|------------|------------|--|
| Public Act 94-0004 Contributions     |            |            |            |            |            |            |  |
| (in Millions \$)                     |            |            |            |            |            |            |  |
|                                      | FY 2006    |            |            |            | FY 2007    |            |  |
|                                      |            |            |            |            |            |            |  |
| System                               | PA 88-0593 | PA 94-0004 | Difference | PA 88-0593 | PA 94-0004 | Difference |  |
|                                      |            |            |            |            |            |            |  |
| TRS                                  | \$1,058.5  | \$534.6    | \$523.9    | \$1,233.1  | \$735.5    | \$497.6    |  |
| SERS                                 | 690.3      | 203.8      | 486.5      | 832.0      | 344.2      | 487.8      |  |
| SURS                                 | 324.9      | 166.6      | 158.3      | 391.9      | 252.1      | 139.8      |  |
| JRS                                  | 38.0       | 29.2       | 8.8        | 44.5       | 35.2       | 9.3        |  |
| GARS                                 | 5.5        | 4.2        | 1.3        | 6.3        | 5.2        | 1.1        |  |
| Total                                | \$2,117.2  | \$938.4    | \$1,178.8  | \$2,507.8  | \$1,372.3  | \$1,135.6  |  |

#### TABLE 1

Public Act 94-0004 changes the provisions of the current funding plan to specify the ramp up to contributing at a level percent of payroll (in FY 2010) will resume in FY 2008.

#### Returns on Investment

In compliance with GASB Statement 25, Public Acts 90-0019 and 90-0511 require the assets of the State retirement systems to be carried at market or a value determined in accordance with generally accepted accounting principles and accounting procedures approved by the respective Board of Trustees. Prior to these Acts, the assets of the State systems were carried at cost, with capital gains or losses realized only upon the sale of an asset. Recognizing the unrealized capital gains on retirement system assets caused a one-time dramatic increase in the funded ratio of all the systems.

# III. MEASUREMENTS OF THE FINANCIAL HEALTH OF THE STATE RETIREMENT SYSTEMS

#### Measurements of the Financial Health of the State Retirement Systems

No single test applied to a retirement system's financial statements for any given fiscal year will, by itself, furnish a reliable picture of its financial health. Therefore, in order to assess the financial condition of the five State retirement systems and evaluate changes in them, we have looked at several measures of financial stability over a period of nine years. The following tools will be used to measure the financial health of each retirement system over time.

#### The Unfunded Liabilities

The unfunded liabilities are that portion of the accrued liabilities not covered by a system's assets. The unfunded liabilities give us a snapshot of the total deficit accumulated by a pension fund.

There are numerous factors that affect the unfunded liabilities. For the purposes of this analysis, they have been grouped into the following six categories:

- 1) <u>Salary Increases</u>. The actuaries assume an average rate of growth for employees' salaries, usually based on historical figures. Because pensions are calculated as a percentage of employees' wages, salary levels are an important factor in determining an employee's future level of benefits. If actual salaries are higher than assumed, this raises the unfunded liability. On the other hand, if actual salary increases were less than assumed, the unfunded liability would be decreased.
- 2) <u>Investment Returns</u>. Based on historical averages, the actuaries assume an annual rate of return on invested assets. Prior to 1997, State-funded retirement systems valued assets at cost and investments that were held for a period of time provided recognized gains or losses only upon sale. Now capital gains or losses are realized annually, without regard to whether an asset is sold or not. If actual returns on investments are greater than the assumed rate, this decreases the unfunded liabilities. If actual yields are less than assumed, the unfunded liabilities will increase.
- 3) <u>Employer Contributions</u>. Actuaries assume the employer will make contributions sufficient to meet a system's benefit payout requirements. A widely applied measure of the adequacy of funding compares employers' contributions to the actuarially recognized standard known as "normal cost plus interest." Under this funding method, an employer is required to make contributions sufficient to cover the cost of all benefits earned by employees during the year (the normal cost) plus make an interest payment on any unfunded liabilities outstanding for the retirement system. This policy attempts to freeze the amount of the unfunded liabilities without reducing them in total. If employer contributions are insufficient based on this measure, a system's unfunded liabilities rise. Conversely, if contributions are greater than required by this method, the system's unfunded liabilities diminish.
- 4) <u>Benefit Increases</u>. Under the State Constitution pension benefits cannot be lowered for current employees, but are often increased for a variety of reasons. Any

improvement in benefits causes an immediate rise in the unfunded liabilities of a system.

- 5) <u>Change in Assumptions</u>. Actuaries periodically revise previous assumptions based on recent experience which they feel more accurately reflects what may occur in the future. These changes could relate to investment returns, salary increases, mortality rates, staff turnover, and many other factors. Some changes, such as a decrease in the assumption on investment returns, cause an immediate rise in the unfunded liabilities. Other changes, such as a reduction of the assumed average salary, cause a decrease in the unfunded liabilities.
- 6) Other Factors. This category encompasses all other events that do not fall into one of the previous categories but cause change in the unfunded liabilities. These factors could include changing actuaries, which may alter various assumptions. Another example would be considering an element that had previously been neglected or overlooked and now must be recognized, such as enactment of legislation that has a significant fiscal impact.

Subsequent parts of this report will focus on these factors as they have affected the unfunded liabilities of the State public retirement systems.

#### The Funded Ratio

The funded ratio is a commonly used indicator of the financial stability of a retirement system. It illustrates the unfunded liabilities in greater detail by placing the liabilities in the context of the pension fund's assets. Expressed as a percentage of a system's liabilities, the funded ratio is calculated by simply dividing net assets by the accrued liabilities. The result is the percentage of the accrued liabilities that are covered by assets. At 100%, a fully funded system has sufficient assets to pay all benefits earned to date by all its members. In this report, we will observe how the funded ratios have risen or declined for the various systems in the period from FY 1998 to FY 2006.

#### **Projected Contributions**

While not a measure of a system's current financial health, projections of employer contributions can tell us where a system is heading. For the five State-funded retirement systems, projections are made based on current laws. These projections provide valuable information on the effect adequate funding has on a system's financial position and the importance of adhering to a stable funding policy.

It is important to note the actuarial assumptions used in preparing the projections were the same as those used in each system's latest actuarial valuation on June 30, 2006, which were approved by the respective Boards of Trustees of each retirement system.

# IV. CURRENT FINANCIAL CONDITION OF THE STATE RETIREMENT SYSTEMS

#### STATE RETIREMENT SYSTEMS, COMBINED

The following section of the report looks at historical information regarding the financial condition of the State funded retirement systems. These systems include the Teachers' Retirement System, State Employees' Retirement System, State Universities' Retirement System, Judges' Retirement System, and General Assembly Retirement System. We will begin by examining the five systems together and then take a snapshot of each system's position and outlook as of June 30, 2006. This section of the report covers the period from FY 1998 to FY 2006. FY 1996 was the first year the State made contributions based on Public Act 88-0593.

Over the last nine years, the State of Illinois has contributed \$19.4 billion to the five retirement systems. Of that amount, \$7.3 billion was from the sale of \$10 billion in pension obligation bonds. The Teachers' Retirement System has received by far the largest amount of contributions, totaling over \$10.9 billion. The Judges' and General Assembly Retirement Systems have received the smallest amount of contributions, as they have far fewer participants. The effect the contributions have had on the unfunded liabilities of the five systems is discussed in greater detail in the following section.

| INDEL 2                  |                   |             |              |       |      |         |
|--------------------------|-------------------|-------------|--------------|-------|------|---------|
| Summary of Contributions |                   |             |              |       |      |         |
| State Retirement Systems |                   |             |              |       |      |         |
|                          | FY 1998 - FY 2006 |             |              |       |      |         |
|                          |                   | (\$         | in Millions) |       |      |         |
| Fiscal Years             | TRS               | <b>SURS</b> | SERS         | JRS   | GARS | Total   |
| 1998                     | 466.9             | 201.6       | 200.7        | 15.7  | 3.1  | 888.0   |
| 1999                     | 573.0             | 217.7       | 315.5        | 18.7  | 3.7  | 1,128.6 |
| 2000                     | 634.0             | 224.6       | 340.9        | 21.4  | 4.0  | 1,224.9 |
| 2001                     | 719.4             | 232.6       | 366.0        | 24.2  | 4.3  | 1,346.5 |
| 2002                     | 810.6             | 240.4       | 386.1        | 27.5  | 4.7  | 1,469.3 |
| 2003                     | 926.0             | 269.6       | 396.1        | 31.4  | 5.2  | 1,628.3 |
| 2004                     | 5,357.6           | 1,743.7     | 1,864.7      | 178.6 | 32.9 | 9,177.5 |
| 2005                     | 903.9             | 270.0       | 427.4        | 32.0  | 4.7  | 1,638.0 |
| 2006                     | 534.6             | 166.6       | 203.8        | 29.2  | 4.2  | 938.4   |
|                          |                   |             |              |       |      |         |

TABLE 2

Totals \$ 10,926.0 \$ 3,566.8 \$ 4,501.2 \$ 378.7 \$ 66.8 \$ 19,439.5 \*FY 2004 State contributions include \$7.3 billion in proceeds from the sale of pension obligation bonds. The total unfunded liabilities of the State systems totaled over \$40.7 billion on June 30, 2006, led by the Teachers' Retirement System (TRS) whose unfunded liabilities amounted to \$22.4 billion. As the largest of the State systems, TRS accounts for over half of the total assets and liabilities of the five State systems combined. Table 3 below provides a summary of the financial condition of each of the five State retirement systems, showing their respective liabilities and assets as well as their accumulated unfunded liabilities and funded ratios.

| Summary of Financial Condition |               |                  |            |        |  |  |  |
|--------------------------------|---------------|------------------|------------|--------|--|--|--|
| State Retirement Systems       |               |                  |            |        |  |  |  |
|                                | June 30, 2006 |                  |            |        |  |  |  |
|                                |               | (\$ in Millions) |            |        |  |  |  |
|                                | Accrued       | Net              | Unfunded   | Funded |  |  |  |
| System                         | Liability     | Assets           | Liability  | Ratio  |  |  |  |
| TRS                            | \$58,996.9    | \$36,584.9       | \$22,412.0 | 62.0%  |  |  |  |
| SURS                           | 21,689.0      | 14,175.1         | 7,513.9    | 65.4%  |  |  |  |
| SERS                           | 20,874.5      | 10,899.9         | 9,974.6    | 52.2%  |  |  |  |
| JRS                            | 1,291.4       | 599.2            | 692.2      | 46.4%  |  |  |  |
| GARS                           | 221.7         | 82.3             | 139.4      | 37.1%  |  |  |  |
| TOTAL                          | \$103,073.5   | \$62,341.4       | \$40,732.1 | 60.5%  |  |  |  |

TABLE 3

The funded ratios for each of the five State retirement systems may be compared to the aggregate funded ratio of 60.5% for the five systems. Although the Judges' Retirement System and the General Assembly Retirement System have the poorest funded ratios, these two systems are much smaller and their unfunded liabilities are more manageable than the three larger systems.

As mentioned previously, one way of appraising the financial health of a retirement system is by determining its unfunded liabilities. The following chart shows how six factors affected the combined unfunded liabilities of the five State systems over the nine years between FY 1998 and FY 2006.



CHART 1

At the beginning of FY 1998, the systems' total unfunded liabilities were approximately \$13.7 billion. At June 30, 2006, these liabilities stood at about \$40.7 billion, or 197% above the FY 1998 level. As the chart shows, the primary causes of this increase were insufficient employer contributions (when compared to contributions based on normal cost plus interest), increases in retirement benefits (essentially the increase in the benefit formula for TRS and SERS members in fiscal year 1998 and the 2002 SERS ERI), lower-than-assumed investment returns, and to a lesser extent, underestimation of salary increases. More detail on the annual changes in unfunded liabilities of the State systems is shown in Appendix A.

All of these factors influence the funded ratio, another measure of a system's health, as illustrated and described below.



CHART 2

The funded ratio at any single point in time is less important than the trend over time. The cumulative funded ratio for the State-funded systems grew steadily from FY 1999 to FY 2000, mainly due to higher than assumed investment returns and adherence to the funding plan established in PA 88-593, which more than offset the increase in accrued liability caused by benefit increases. In FY 2002, the funded ratio fell to the lowest level since FY 1998, primarily due to investment returns totaling \$5.6 billion less than previously assumed. In FY 2003, investment returns continued to be lower-than-assumed (by \$2.1 billion), but not nearly as low as the previous two years. Investments began to bounce back in FY 2004, helping to increase the funded ratio. In addition, in 2003 the State sold \$10 billion in pension obligation bonds and used part of the proceeds to pay all of the contributions for FY 2004. The bond sale generated \$7.3 billion to reduce unfunded liabilities of the state-funded retirement systems. The funded ratio remained relatively stable in FY 2005 and FY 2006 despite insufficient employer contributions, mainly due to very high investment returns.

#### TEACHERS' RETIREMENT SYSTEM

Chart 3 shows the impact the various components have had on the unfunded liabilities of the largest of the State systems, the Teachers' Retirement System (TRS).





Underestimated increases in salary, insufficient State contributions (when compared to contributions based on normal cost plus interest), benefit increases (primarily the benefit formula increase in FY 1998), and the waiver of ERO payments for early retirees (included in other factors) caused an increase in unfunded liabilities of about \$12.9 billion over this time period. Changes in actuarial assumptions (including the valuation of assets at market value) offset a portion of this increase. In FY 2004 investments improved dramatically, as TRS gained nearly \$2.2 billion more than assumed in returns. Nevertheless, the unfunded liabilities grew from the FY 1998 level of \$9.6 billion to more than \$22.4 billion, or an increase of 134% by FY 2006. An annual breakdown of these elements is presented in Appendix A. The effect these factors have had on the funded ratio of TRS is shown in Chart 4, on the following page.





The FY 1998 – FY 2000 increases were due to investment returns, which exceeded assumptions by almost \$2.3 Billion. A severe market downturn in FY 2001 resulted in a nearly 10% decrease of the funded ratio in FY 2001. The funded ratio continued to decline, partially due to a \$2.7 billion actuarial loss on investments in FY 2002 and an \$827 million actuarial loss in FY 2003. In FY 2004, higher investment returns combined with \$4.33 billion in proceeds from the State's sale of pension obligation bonds resulted in a 12% growth in the funded ratio. The funded ratio declined slightly in FY 2005 due to insufficient employer contributions, but rebounded somewhat in FY 2006 due to outstanding returns on investments.

#### STATE EMPLOYEES' RETIREMENT SYSTEM

Chart 5 shows the elements that caused the unfunded liabilities of the State Employees' Retirement System (SERS) to increase from \$1.5 billion at the beginning of FY 1998 to almost \$10.0 billion at the end of FY 2006.





The unfunded liabilities of SERS increased by \$8.5 billion between FY 1998 and FY 2006. During FY 2001 and FY 2002 lower-than-assumed investment returns, insufficient employer contributions (when compared to contributions based on normal cost plus interest), miscellaneous factors, and benefit increases that totaled \$823.2 million contributed to the increase. The primary factor in the increase in unfunded liabilities for FY 2003 was the benefit increases associated with the Early Retirement Initiative (P.A. 92-566), which totaled more than \$2.3 billion. Pension obligation bond proceeds of nearly \$1.4 billion decreased the SERS unfunded liabilities in FY 2004. During FY 2005 and FY 2006 the unfunded liabilities increased primarily due to insufficient employer contributions.

The funded ratios at the end of the year for FY 1998 through FY 2006 are displayed in Chart 6 below.



CHART 6

In FY 1999 and FY 2000, the funded ratio increased from 79.9% to 81.7%, which was attributed to higher-than-assumed investment returns and to a lesser extent, employer contributions that were greater than normal cost plus interest. The funded ratio fell in FY 2001 and FY 2002 primarily due to lower-than-assumed investment returns and benefit increases. The large drop in FY 2003 is due to losses from investments and benefit increases due to the Early Retirement Initiative, which accounted for over \$2.3 billion in increased liabilities. Proceeds from the pension bond sale and higher-than-assumed investment returns contributed to a nearly 12% increase in the funded ratio in FY 2004. Lower employer contributions in FY 2005 and FY 2006 caused a slight decrease in the funded ratio.

#### STATE UNIVERSITIES' RETIREMENT SYSTEM

The elements which caused the unfunded liabilities of the State Universities Retirement System (SURS) to increase by \$5.3 billion from the beginning of FY 1998 to FY 2006 are shown in Chart 7.





Lower-than-assumed investment returns, insufficient State contributions (when compared to contributions based on normal cost plus interest), benefit increases and miscellaneous factors contributed to the increase in unfunded liabilities of SURS. Following several years of higher than expected investment returns, FY 2001, FY 2002, and FY 2003 saw investment returns lower than expected by \$2.1 billion, \$1.6 billion, and \$583 million, respectively. Investments improved in FY 2004, adding \$950 million more than expected. In FY 2004, SURS also benefited from over \$1.4 billion in pension obligation bond proceeds. The proceeds and investments contributed to a \$1.8 billion decrease in unfunded liabilities in FY 2004. Unfunded liabilities increased slightly in FY 2005 and FY 2006 due to insufficient employer contributions.

Details on the change in SURS' unfunded liabilities are presented in Appendix A.





The trend for SURS is similar to that of the aggregate funded ratio for the five State systems. As with the other systems, SURS saw their funded ratio drop sharply in FY 2001 and again in FY 2002 and FY 2003 due to much lower-than-assumed investment returns. In FY 2004, better-than-expected investment returns and proceeds from the State's sale of pension obligation bonds helped boost the funded ratio for that year. The funded ratio declined slightly in FY 2005 and FY 2006 due to insufficient employer contributions.

#### JUDGES' RETIREMENT SYSTEM

The unfunded liabilities of the Judges' Retirement System increased by 302 million, or 178%, from the beginning of FY 1996 to FY 2006. The factors that caused this increase are shown below.





Insufficient employer contributions (when compared to contributions based on normal cost plus interest), changes in actuarial assumptions and miscellaneous other factors largely caused the unfunded liabilities to increase over the nine-year period. Lower-than-assumed salary increases offset a portion of the increase in unfunded liabilities. Appendix A shows the annual changes in the unfunded liabilities and the associated causes.

As depicted in Chart 10 (below), the funded ratio of JRS is reflective of the other State systems.



CHART 10

The significant increase in FY 1998 and the slight increases in FY 1999 and FY 2000 are, again, due to higher-than-assumed investment returns and lower-than-assumed salary increases. The decrease in the funded ratio for FY 2001 was primarily the result of an actuarial loss on investments of almost \$61.8 million. The funded ratio decreased again in FY 2002 and FY 2003 due to an actuarial loss on investments of \$81.6 million for the two years combined. As with all the State systems, investment returns were better than expected in FY 2004, and proceeds from the sale of pension obligation bonds offset unfunded liabilities by another \$141.9 million. The funded ratio in FY 2005 declined slightly due to insufficient employer contributions. In FY 2006, higher than expected investment returns and lower than anticipated salary increases caused the funded ratio to increase.

#### GENERAL ASSEMBLY RETIREMENT SYSTEM

As shown in Chart 11 below, the unfunded liabilities of the General Assembly Retirement System (GARS) increased by \$52.3 million, or 60% from the beginning of FY 1998 to FY 2006.





As Chart 11 shows, insufficient employer contributions (when compared to contributions based on normal cost plus interest) and miscellaneous factors were primarily responsible for the increase in unfunded liabilities over the past nine years. Lower-than-assumed salary increases slightly offset the increase in unfunded liabilities.

This combination of factors also caused the funded ratio to fluctuate over this period of time, as demonstrated in Chart 12 below.



CHART 12

GARS, the most poorly funded of the State systems, had a funded ratio of 41.7% at the end of FY 1998. The funded ratio was relatively level from FY 1999 to FY 2001. FY 2001 saw the funded ratio fall, mainly due to lower-than-assumed investment returns. The funded ratio fell again in FY 2002 primarily due to an actuarial loss on investments of \$8.7 million. At the end of FY 2003 the funded ratio for GARS was at 25.4%, the lowest for that system in over twenty years, because of investment losses and high miscellaneous costs. The funded ratio increased dramatically in FY 2004 due to much higher that expected employer contributions (due to proceeds from the pension obligation bond sale), higher-than-assumed investment returns, and lower than assumed salary increases. The primary reason for the decreases in the FY 2005 and FY 2006 funded ratios was insufficient employer contributions. The annual changes and the various elements affecting the unfunded liabilities are presented in greater detail in Appendix A.

## V. PROJECTED FINANCIAL CONDITION OF THE STATE RETIREMENT SYSTEMS

#### Projected Financial Condition of the State Retirement Systems

It is important to monitor the current financial health of the State retirement systems, and it is also important to project the future financial condition of the systems. The Commission's actuary has projected the required contributions, the accrued liabilities and assets, and the resulting funded ratio of the State retirement systems according to the current laws.

The projections are based on membership data of the State retirement systems as of June 30, 2006, and utilize the same assumptions as those used in each system's latest actuarial valuation. The membership data and required supporting information was supplied by the State retirement systems at the request of the Commission.

While the projections provide an estimate of the future financial condition of the State retirement systems, there are some inherent limitations. All projections assume the actuarial assumptions of each system are met every year. If actual experience deviates significantly from the actuarial assumptions, which is frequently the case, the projected assets and liabilities may be significantly different than actual assets and liabilities. An unexpected change in the assets and/or liabilities will, of course, change the projected required contributions from that point forward. Since uncertainty increases as we project assets and liabilities farther into the future, the projections for later years may bear little resemblance to the actual assets and liabilities, especially if legislative changes are made to the current funding plan.

The following charts show the projected funded ratios for the State retirement systems for fiscal years 2007 through 2045, assuming a continuation of current laws. The charts also show the required contributions in fiscal years 2007 through 2045. These annual projections are shown in greater detail in Appendices B through G.

#### STATE FUNDED RETIREMENT SYSTEMS, COMBINED

Chart 13 projects the total employer contributions required for the State Retirement Systems under the continuation of funding required by current law, which calls for steady progress toward a 90% funded ratio target by FY 2045.





In accordance with the funding method contained in current law, the State appropriated \$1.37 billion to the State retirement systems in FY 2007. Under current law, required State contributions are expected to grow to \$4.26 billion in FY 2015. These steady annual increases will support attainment of the 90% funded ratio goal in FY 2045. The annual required contributions (as well as other relevant funding information) are shown in greater detail in Appendix B.

#### **TEACHERS' RETIREMENT SYSTEM**

Chart 14 shows the projected contributions to TRS under existing laws.





Under the current funding plan, State contributions to TRS are projected to increase from \$735.5 million in FY 2007 to \$2.14 billion in FY 2015. After reaching the 90% funded ratio goal in FY 2045, contributions will be equal to the annual normal cost of TRS, plus the amount of interest on the unfunded balance necessary to keep the ratio at that level.
## STATE EMPLOYEES' RETIREMENT SYSTEM

Chart 15 displays the required State contributions under current law.

#### CHART 15



As Chart 15 illustrates, State contributions to SERS, per current law, are expected to increase from \$344.2 million in FY 2007 to approximately \$1.22 billion in FY 2015.

## STATE UNIVERSITIES' RETIREMENT SYSTEM

Chart 16 provides a view of the future of SURS under the current funding projections.

CHART 16



The projected contributions in Chart 16 include contributions to the Self Managed Plan (SMP), a defined contribution plan offered to eligible employees, which began on April 1, 1998. The projections assume 33% of future SURS eligible employees will choose to participate in the SMP rather than the traditional SURS defined benefit formula.

Under current law, employer contributions to SURS are projected to increase from \$252.1 million in FY 2007 to more than \$800 million in FY 2015. After FY 2045, contributions will be equal to the annual normal cost of SURS, plus the amount needed to maintain the funded ratio at 90%.

#### JUDGES' RETIREMENT SYSTEM

Chart 17 provides a look at the projections for JRS under current law, for which more detail can be found in Appendix F.





Under the current funding plan, State contributions to JRS are projected to increase from \$35.2 million in FY 2007 to \$89.2 million in FY 2015. After FY 2045, contributions will be equal to the annual normal cost of JRS plus interest on the unfunded balance, which is the amount needed to maintain the funded ratio at 90%.

#### GENERAL ASSEMBLY RETIREMENT SYSTEM

Chart 18 provides projections for GARS under the current funding plans, for which more detail can be found in Appendix G.

## CHART 18



As Chart 18 illustrates, State contributions to GARS, per current law, are expected to increase from \$5.2 million in FY 2007 to \$12.4 million in FY 2015.

# VI. THE NON-STATE FUNDED PUBLIC EMPLOYEE RETIREMENT SYSTEMS

#### NON-STATE FUNDED PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Within the State of Illinois there are 11 large public retirement systems not directly funded by the State. Each of these systems will be discussed individually.

*Firemen's Annuity and Benefit Fund of Chicago*: This system covers anyone employed by the City of Chicago in its fire service as a fireman, fire paramedic, fire engineer, marine engineer, or fire pilot, whose duty it is to participate in the work of controlling and extinguishing fire.

|        | Summ          | ary of Financial C | Condition       |          |
|--------|---------------|--------------------|-----------------|----------|
|        | Firemen's Ani | (\$ in Millions)   | Fund of Chicago |          |
| Fiscal | Accrued       | Net                | Unfunded        | Funded   |
| Year   | Liability     | Assets             | Liability       | Ratio    |
| 1997   | \$1,645.3     | \$856.1            | \$789.2         | 52.0%    |
| 1998   | 1,783.6       | 1,090.4            | 693.2           | 61.1%    |
| 1999   | 1,879.7       | 1,145.2            | 734.5           | 60.9%    |
| 2000   | 2,053.3       | 1,219.5            | 833.9           | 59.4%    |
| 2001   | 2,068.7       | 1,245.1            | 823.6           | 60.2%    |
| 2002   | 2,088.7       | 1,209.8            | 878.9           | 57.9%    |
| 2003   | 2,517.3       | 1,194.0            | 1,323.3         | 47.4%    |
| 2004   | 2,793.5       | 1,182.6            | 1,610.9         | 42.3%    |
| 2005   | 2,882.9       | 1,274.7            | 1,608.2         | 44.2%    |
| 2006   | 3,133.1       | 1,391.5            | 1,741.6         | 44.4%    |
| Fiscal | Active        | Employee           | Average         | Average  |
| Year   | Employees     | Annuitants         | Salary          | Annuity  |
| 1996   | 4,806         | 2,257              | \$48,488        | \$29,304 |
| 1997   | 4,856         | 2,235              | \$48,338        | \$30,787 |
| 1998   | 4,783         | 2,251              | \$54,829        | \$32,503 |
| 1999   | 4,855         | 2,351              | \$55,888        | \$34,067 |
| 2000   | 4,878         | 2,538              | \$56,397        | \$36,458 |
| 2001   | 4,930         | 2,422              | \$56,382        | \$38,048 |
| 2002   | 4,910         | 2,422              | \$56,426        | \$40,052 |
| 2003   | 4,909         | 2,412              | \$68,277        | \$42,121 |
| 2004   | 4,856         | 2,441              | \$68,868        | \$45,675 |
| 2005   | 4,999         | 2,442              | \$68,264        | \$47,917 |
| 2006   | 5,078         | 2,459              | \$76,298        | \$50,171 |

#### TABLE 4

Total FY 2006 Payroll: \$387.4 Million

#### Firemen's Annuity and Benefit Fund of Chicago

Employer contributions to this system are made by the City of Chicago pursuant to a property tax levy outlined in the Illinois Pension Code. The City is required to contribute an amount equal to the employee contributions to the fund two years prior to the year for which the tax is levied, multiplied by 2.26. Chicago firefighters contribute 9.125% of salary towards their pensions. Chicago firefighters must retire at age 63 (Emergency Medical Technicians are exempt).

| TABLE J  |   |   |                                    |   |
|--|---|---|------------------------------------|---|
| Retirement<br>Eligibility:   | Salary Used<br>to Calculate<br>Retirement<br>Annuity                          | Pension<br>Benefit<br>Formula   | Maximum<br>Retirement<br>Annuity   | Automatic<br>Annual<br>Increase   |
| Age 50 with<br>10 years<br>(accumulated<br>annuity); Age<br>50 with 20<br>years. | Average of 4<br>highest<br>consecutive<br>years within the<br>final 10 years. | For employees<br>with 20 or more<br>years of service:<br>50% of final<br>average salary<br>plus 2.5% for<br>each year in<br>excess of 20. | 75% of final<br>average<br>salary. | 3% non-<br>compounded<br>with no limit at<br>age 60, or age<br>55 if born<br>before 1/1/55;<br>1.5% if born<br>after 1/1/55<br>with 30%<br>maximum. |

| TABLE 5 | BLE 5 |
|---------|-------|
|---------|-------|

*Laborers' Annuity and Benefit Fund of Chicago*: This system covers persons employed by the City of Chicago in a position classified as labor service by the employer; anyone employed by the Board, anyone employed by the Retirement Board of any other Annuity and Benefit Fund which is in operation for the employer.

| Summary of Financial Condition                                    |           |            |           |          |  |
|---|-----------|------------|-----------|----------|--|
| Laborers' Annuity and Benefit Fund of Chicago<br>(\$ in Millions) |           |            |           |          |  |
| Fiscal  | Accrued   | Net        | Unfunded  | Funded   |  |
| Year  | Liability | Assets     | Liability | Ratio    |  |
| 1997  | \$1.040.7 | \$1.328.1  | (\$287.4) | 127.6%   |  |
| 1998  | 1,292.6   | 1,530.4    | (237.8)   | 118.4%   |  |
| 1999  | 1,309.8   | 1,690.7    | (380.9)   | 129.1%   |  |
| 2000  | 1,297.9   | 1,738.0    | (440.1)   | 133.9%   |  |
| 2001  | 1,402.1   | 1,756.1    | (353.9)   | 125.2%   |  |
| 2002  | 1,540.6   | 1,715.1    | (174.5)   | 111.3%   |  |
| 2003  | 1,628.6   | 1,679.8    | (51.2)    | 103.1%   |  |
| 2004  | 1,674.6   | 1,650.0    | 24.6      | 98.5%    |  |
| 2005  | 1,742.3   | 1,635.6    | 106.7     | 93.9%    |  |
| 2006  | 1,809.2   | 1,664.1    | 145.1     | 92.0%    |  |
| Fiscal  | Active    | Employee   | Average   | Average  |  |
| Year  | Employees | Annuitants | Salary    | Annuity  |  |
| 1997  | 3,876     | 2,457      | \$44,163  | \$16,634 |  |
| 1998  | 3,753     | 2,808      | \$45,464  | \$20,530 |  |
| 1999  | 3,855     | 2,687      | \$45,633  | \$21,157 |  |
| 2000  | 4,070     | 2,569      | \$45,467  | \$21,872 |  |
| 2001  | 4,074     | 2,481      | \$51,842  | \$22,750 |  |
| 2002  | 3,828     | 2,461      | \$54,181  | \$24,082 |  |
| 2003  | 3,719     | 2,472      | \$55,308  | \$25,576 |  |
| 2004  | 3,135     | 2,836      | \$54,698  | \$29,177 |  |
| 2005  | 3,141     | 2,737      | \$58,201  | \$30,492 |  |
| 2006  | 3,215     | 2,683      | \$60,086  | \$31,664 |  |

TABLE 6

FY 2006 Payroll: \$193.2 Million

#### Laborers' Annuity and Benefit Fund of Chicago

Employer contributions to the Laborer's Annuity and Benefit Fund are made by the City of Chicago pursuant to a property tax levy formula outlined in the Illinois Pension Code. The City is required to contribute an amount equal to the employee contributions to the fund two years prior to the year for which the tax is levied, multiplied by 1.00. Covered employees are required to contribute 8.5% of salary towards their pensions.

| Retirement<br>Eligibility:   | Salary Used<br>to Calculate<br>Retirement<br>Annuity                          | Pension<br>Benefit<br>Formula                                   | Maximum<br>Retirement<br>Annuity | Automatic<br>Annual<br>Increase |
|--|---|---|----------------------------------|---------------------------------|
| Age 55 with<br>10 years<br>(money<br>purchase); Age<br>55 with 20<br>years; Age 50<br>with 30 years. | Average of 4<br>highest<br>consecutive<br>years within the<br>final 10 years. | 2.4% of final<br>average salary<br>for each year of<br>service. | 80% of final average salary.     | 3%<br>compounded.               |

#### TABLE 7

*Municipal Employees' Annuity and Benefit Fund of Chicago*: This system covers persons appointed under civil service rules who are employed by the City of Chicago and Board of Education of Chicago (other than teachers); temporary and non-career service employees; aldermen and other officials of the City and the Board of Education of Chicago who, while in office, file written application with the Retirement Board.

| Summary of Financial Condition   |           |            |           |          |  |
|--|-----------|------------|-----------|----------|--|
| Municipal Employees' Annuity and Benefit Fund of Chicago<br>(\$ in Millions) |           |            |           |          |  |
| Fiscal   | Accrued   | Net        | Unfunded  | Funded   |  |
| Year   | Liability | Assets     | Liability | Ratio    |  |
| 1997   | \$5,259.1 | \$3,853.5  | \$1,405.6 | 73.3%    |  |
| 1998   | 6,324.0   | 5,715.9    | 608.1     | 90.4%    |  |
| 1999   | 6,562.3   | 6,017.8    | 544.5     | 91.7%    |  |
| 2000   | 6,665.2   | 6,298.0    | 367.2     | 94.5%    |  |
| 2001   | 6,934.2   | 6,466.8    | 467.4     | 93.3%    |  |
| 2002   | 7,577.1   | 6,404.0    | 1,173.1   | 84.5%    |  |
| 2003   | 7,988.6   | 6,384.1    | 1,604.5   | 79.9%    |  |
| 2004   | 8,808.5   | 6,343.1    | 2,465.4   | 72.0%    |  |
| 2005   | 9,250.2   | 6,332.4    | 2,917.8   | 68.5%    |  |
| 2006   | 9,476.1   | 6,509.1    | 2,967.0   | 68.7%    |  |
| Fiscal   | Active    | Employee   | Average   | Average  |  |
| Year   | Employees | Annuitants | Salary    | Annuity  |  |
| 1997   | 34,839    | 13,373     | \$34,223  | \$16,088 |  |
| 1998   | 33,119    | 15,838     | \$35,286  | \$18,928 |  |
| 1999   | 35,868    | 15,717     | \$35,329  | \$19,347 |  |
| 2000   | 36,089    | 15,530     | \$34,455  | \$19,789 |  |
| 2001   | 36,679    | 15,362     | \$37,489  | \$20,364 |  |
| 2002   | 35,522    | 15,546     | \$38,790  | \$21,211 |  |
| 2003   | 35,384    | 15,853     | \$39,439  | \$22,176 |  |
| 2004   | 33,267    | 18,253     | \$39,172  | \$25,451 |  |
| 2005   | 33,743    | 18,221     | \$41,707  | \$26,178 |  |
| 2006   | 33,429    | 18,183     | \$44,150  | \$27,028 |  |

TABLE 8

FY 2006 Payroll: \$1.48 Billion

#### Municipal Employees' Annuity and Benefit Fund of Chicago

Employer contributions to the Chicago Municipal Employees' Annuity and Benefit Fund are made by the City of Chicago pursuant to a property tax levy formula outlined in the Illinois Pension Code. The City is required to contribute an amount equal to the employee contributions to the fund two years prior to the year for which the tax is levied, multiplied by 1.25. Chicago municipal employees contribute 8.5% of salary towards their pensions.

| Retirement<br>Eligibility:   | Salary Used<br>to Calculate<br>Retirement<br>Annuity                          | Pension<br>Benefit<br>Formula                                   | Maximum<br>Retirement<br>Annuity | Automatic<br>Annual<br>Increase |
|--|---|---|----------------------------------|---------------------------------|
| Age 55 with<br>10 years<br>(money<br>purchase); Age<br>55 with 20<br>years; Age 50<br>with 30 years. | Average of 4<br>highest<br>consecutive<br>years within the<br>final 10 years. | 2.4% of final<br>average salary<br>for each year of<br>service. | 80% of final average salary.     | 3%<br>compounded.               |

#### TABLE 9

*Park Employees' Annuity and Benefit Fund of Chicago*: This system covers all persons employed by the Chicago Park District. Employer contributions to the Chicago Park Employee's Annuity and Benefit Fund are made by the Chicago Board of Park Commissioners pursuant to a property tax levy outlined in the Illinois Pension Code.

|   | Summ      | ary of Financial C | Condition |          |  |
|---|-----------|--------------------|-----------|----------|--|
| Park Employees' Annuity and Benefit Fund of Chicago |           |                    |           |          |  |
|   |           | (\$ III MIIIIOIIS) |           |          |  |
| Fiscal  | Accrued   | Net                | Unfunded  | Funded   |  |
| Year  | Liability | Assets             | Liability | Ratio    |  |
| 1997  | \$549.6   | \$513.8            | \$35.8    | 93.5%    |  |
| 1998  | 565.6     | 549.7              | 15.9      | 97.2%    |  |
| 1999  | 610.5     | 592.3              | 18.2      | 97.0%    |  |
| 2000  | 656.0     | 627.9              | 28.0      | 95.7%    |  |
| 2001  | 673.4     | 651.3              | 22.1      | 96.7%    |  |
| 2002  | 678.2     | 637.8              | 40.5      | 94.0%    |  |
| 2003  | 701.2     | 624.2              | 77.0      | 89.0%    |  |
| 2004  | 738.6     | 610.3              | 128.3     | 82.6%    |  |
| 2005  | 734.4     | 587.8              | 146.6     | 80.0%    |  |
| 2006  | 745.2     | 572.7              | 172.5     | 76.9%    |  |
| Fiscal  | Active    | Employee           | Average   | Average  |  |
| Year  | Employees | Annuitants         | Salary    | Annuity  |  |
| 1997  | 3,993     | 2,177              | \$21,396  | \$15,093 |  |
| 1998  | 4,260     | 2,163              | \$20,846  | \$15,346 |  |
| 1999  | 3,595     | 2,271              | \$23,614  | \$16,622 |  |
| 2000  | 3,639     | 2,242              | \$25,140  | \$17,020 |  |
| 2001  | 3,395     | 2,188              | \$28,235  | \$17,275 |  |
| 2002  | 3,422     | 2,148              | \$27,835  | \$18,018 |  |
| 2003  | 3,179     | 2,104              | \$29,891  | \$18,560 |  |
| 2004  | 2,820     | 2,294              | \$29,795  | \$20,289 |  |
| 2005  | 2,881     | 2,231              | \$30,519  | \$20,843 |  |
| 2006  | 3,035     | 2,199              | \$33,298  | \$21,394 |  |

TABLE 10

FY 2006 Payroll: \$101.1 Million

## Park Employees' Annuity and Benefit Fund of Chicago

The Board of Park Commissioners is required to contribute an amount equal to 1.10 times the employee contribution during the fiscal year two years prior to the year the tax is levied. Chicago Park District employees contribute 9% of salary towards their pensions.

| Retirement<br>Eligibility:                                     | Salary Used<br>to Calculate<br>Retirement<br>Annuity                          | Pension<br>Benefit<br>Formula                                   | Maximum<br>Retirement<br>Annuity | Automatic<br>Annual<br>Increase |
|--|---|---|----------------------------------|---------------------------------|
| Age 50 with<br>10 years; Age<br>60 with 4 years<br>of service. | Average of 4<br>highest<br>consecutive<br>years within the<br>final 10 years. | 2.4% of final<br>average salary<br>for each year of<br>service. | 80% of final average salary.     | 3% non-<br>compounded.          |

TABLE 11

**Policemen's Annuity and Benefit Fund of Chicago**: This system covers any employee in the police department of the City of Chicago appointed and sworn or designated by law as a police officer with the title of police officer, chief surgeon, police surgeon, police dog catcher, police kennel man and members of the police force of the police department.

| Summary of Financial Condition<br>Policemen's Annuity and Benefit Fund of Chicago |           |                  |           |          |
|---|-----------|------------------|-----------|----------|
|   |           | (\$ in Millions) |           |          |
| Fiscal  | Accrued   | Net              | Unfunded  | Funded   |
| Year  | Liability | Assets           | Liability | Ratio    |
| 1997  | \$4,609.2 | \$2,684.6        | \$1,924.6 | 58.2%    |
| 1998  | 5,158.2   | 2,832.4          | 2,325.8   | 54.9%    |
| 1999  | 5,394.9   | 3,206.1          | 2,188.8   | 59.4%    |
| 2000  | 5,652.0   | 3,376.6          | 2,275.4   | 59.7%    |
| 2001  | 5,932.5   | 3,696.9          | 2,235.6   | 62.3%    |
| 2002  | 6,384.8   | 3,224.0          | 3,160.8   | 50.5%    |
| 2003  | 6,581.4   | 3,192.6          | 3,388.8   | 48.5%    |
| 2004  | 7,034.3   | 3,173.4          | 3,860.9   | 45.1%    |
| 2005  | 7,722.7   | 3,914.4          | 3,808.3   | 50.7%    |
| 2006  | 7,939.6   | 3,998.0          | 3,941.6   | 50.4%    |
| Fiscal  | Active    | Employee         | Average   | Average  |
| Year  | Employees | Annuitants       | Salary    | Annuity  |
| 1997  | 13,435    | 5,945            | \$50,280  | \$29,867 |
| 1998  | 13,586    | 6,241            | \$54,203  | \$31,682 |
| 1999  | 13,829    | 6,520            | \$54,617  | \$33,220 |
| 2000  | 13,858    | 6,876            | \$54,795  | \$34,880 |
| 2001  | 13,889    | 7,192            | \$54,961  | \$36,428 |
| 2002  | 13,720    | 7,392            | \$63,158  | \$38,199 |
| 2003  | 13,746    | 7,498            | \$64,568  | \$38,998 |
| 2004  | 13,569    | 7,815            | \$64,434  | \$41,914 |
| 2005  | 13,462    | 8,026            | \$70,493  | \$43,930 |
| 2006  | 13,749    | 8,083            | \$73,677  | \$45,680 |

TABLE 12

Total FY 2006 Payroll: \$1.01 Billion.

#### Policemen's Annuity and Benefit Fund of Chicago

Employer contributions to the Policemen's Annuity and Benefit Fund of Chicago are made by the City of Chicago pursuant to a property tax levy formula outlined in the Illinois Pension Code. The City is required to contribute an amount equal to the employee contributions to the fund two years prior to the year for which the tax is levied, multiplied by 2.00. Chicago policemen contribute 9% of salary towards their pensions. Chicago police officers must retire at age 63 (no exceptions).

| Retirement<br>Eligibility:   | Salary Used<br>to Calculate<br>Retirement<br>Annuity                          | Pension<br>Benefit<br>Formula   | Maximum<br>Retirement<br>Annuity | Automatic<br>Annual<br>Increase   |
|--|---|---|----------------------------------|---|
| Age 50 with<br>10 years<br>(accumulated<br>annuity); Age<br>50 with 20<br>years. | Average of 4<br>highest<br>consecutive<br>years within the<br>final 10 years. | For employees<br>with 20 or more<br>years of service:<br>50% of final<br>average salary<br>plus 2.5% for<br>each year in<br>excess of 20. | 75% of final<br>average salary.  | 3% non-<br>compounded<br>with no limit at<br>age 60, or age<br>55 if born<br>before 1/1/55;<br>1.5% if born<br>after 1/1/55<br>with 30%<br>maximum. |

**Public School Teachers' Pension and Retirement Fund of Chicago**: This system covers certified teachers and employees of the Chicago public schools.

| Summary of Financial Condition |  |            |           |          |  |
|--------------------------------|--|------------|-----------|----------|--|
| Publi                          | Public School Teachers' Pension and Retirement Fund of Chicago<br>(\$ in Millions) |            |           |          |  |
| Fiscal                         | Accrued  | Net        | Unfunded  | Funded   |  |
| Year                           | Liability  | Assets     | Liability | Ratio    |  |
| 1997                           | \$7,548.2  | \$6,048.0  | \$1,500.2 | 80.1%    |  |
| 1998                           | 9,341.9  | 7,064.5    | 2,277.4   | 75.6%    |  |
| 1999                           | 8,551.9  | 8,620.1    | (68.2)    | 100.8%   |  |
| 2000                           | 9,940.4  | 9,612.2    | 328.2     | 96.7%    |  |
| 2001                           | 10,392.7   | 10,387.6   | 5.1       | 100.0%   |  |
| 2002                           | 11,025.5   | 10,640.9   | 384.5     | 96.5%    |  |
| 2003                           | 11,411.5   | 10,494.8   | 916.8     | 92.0%    |  |
| 2004                           | 12,105.7   | 10,392.2   | 1,713.5   | 85.8%    |  |
| 2005                           | 13,295.9   | 10,506.5   | 2,789.4   | 79.0%    |  |
| 2006                           | 14,035.6   | 10,948.0   | 3,087.6   | 78.0%    |  |
| Fiscal                         | Active   | Employee   | Average   | Average  |  |
| Year                           | Employees  | Annuitants | Salary    | Annuity  |  |
| 1997                           | 33,632   | 10,757     | \$40,515  | \$25,851 |  |
| 1998                           | 34,875   | 10,739     | \$41,119  | \$26,819 |  |
| 1999                           | 34,720   | 10,974     | \$43,813  | \$28,010 |  |
| 2000                           | 35,400   | 11,197     | \$46,611  | \$29,305 |  |
| 2001                           | 37,648   | 11,592     | \$44,897  | \$30,807 |  |
| 2002                           | 37,374   | 11,999     | \$47,066  | \$30,721 |  |
| 2003                           | 36,548   | 12,466     | \$46,684  | \$32,054 |  |
| 2004                           | 37,362   | 12,947     | \$47,311  | \$33,657 |  |
| 2005                           | 37,521   | 18,108     | \$52,467  | \$35,745 |  |
| 2006                           | 34,682   | 19,651     | \$56,062  | \$37,241 |  |

TABLE 14

FY 2006 Payroll: \$1.95 Billion

## Public School Teachers' Pension and Retirement Fund of Chicago

Employer contributions to the Public School Teacher's Pension and Retirement Fund are made by The Chicago Board of Education and by State appropriations pursuant to the Illinois Pension Code. The State is required to contribute an additional 0.544% of the Funds' total teacher payroll in years when the funded ratio drops below 90%. Chicago teachers contribute 9.0% of salary towards their pensions.

| Retirement<br>Eligibility:                       | Salary Used<br>to Calculate<br>Retirement<br>Annuity                          | Pension<br>Benefit<br>Formula                                   | Maximum<br>Retirement<br>Annuity | Automatic<br>Annual<br>Increase |
|--|---|---|----------------------------------|---------------------------------|
| Age 62 with 5<br>years; Age 55<br>with 20 years. | Average of 4<br>highest<br>consecutive<br>years within the<br>final 10 years. | 2.2% of final<br>average salary<br>for each year of<br>service. | 75% of final average salary.     | 3%<br>compounded.               |

#### TABLE 15

Chicago Transit Authority Retirement Fund: This system covers all employees of the Chicago Transit Authority.

| Summary of Financial Condition                                |           |            |          |          |  |
|---|-----------|------------|----------|----------|--|
| Summary of Financial Condition                                |           |            |          |          |  |
| Chicago Transit Authority Retirement Fund<br>(\$ in Millions) |           |            |          |          |  |
| Fical   | Accrued   | Not        | Unfundad | Fundad   |  |
| Fiscal  | Accided   | INCL       |          | Fullded  |  |
| Year  |           | Assets     |          | Ratio    |  |
| 1997  | \$1,748.2 | \$1,373.7  | \$374.5  | 78.6%    |  |
| 1998  | 1,994.4   | 1,470.5    | 523.9    | 73.7%    |  |
| 1999  | 2,055.0   | 1,576.9    | 478.1    | 76.7%    |  |
| 2000  | 2,156.3   | 1,722.2    | 434.1    | 79.9%    |  |
| 2001  | 2,358.9   | 1,828.1    | 530.8    | 77.5%    |  |
| 2002  | 2,812.2   | 1,864.7    | 947.5    | 66.3%    |  |
| 2003  | 3,026.6   | 1,726.9    | 1,299.7  | 57.1%    |  |
| 2004  | 3,258.6   | 1,581.0    | 1,677.6  | 48.5%    |  |
| 2005  | 3,510.6   | 1,382.3    | 2,128.3  | 39.4%    |  |
| 2006  | 3,483.4   | 1,199.1    | 2,284.3  | 34.4%    |  |
| Fiscal  | Active    | Employee   | Average  | Average  |  |
| Year  | Employees | Annuitants | Salary   | Annuity  |  |
| 1997  | 10,949    | 6,085      | \$42,656 | \$13,489 |  |
| 1998  | 9,584     | 7,471      | \$45,380 | \$16,427 |  |
| 1999  | 9,559     | 7,741      | \$44,424 | \$16,990 |  |
| 2000  | 9,298     | 8,088      | \$46,645 | \$17,707 |  |
| 2001  | 6,598     | 8,038      | \$47,000 | \$17,862 |  |
| 2002  | 10,106    | 8,057      | \$47,956 | \$18,039 |  |
| 2003  | 10,170    | 8,160      | \$49,870 | \$18,273 |  |
| 2004  | 10,376    | 8,399      | \$49,470 | \$19,534 |  |
| 2005  | 10,751    | 8,877      | \$53,426 | \$20,254 |  |
| 2006  | 10,644    | 8,992      | \$54.270 | \$23,041 |  |

FY 2006 Payroll \$577.6 Million

## Chicago Transit Authority Retirement Fund

Employer contributions to the Chicago Transit Authority Retirement Fund are made by the Chicago Transit Authority through a collective bargaining agreement between the CTA and the unions that represent CTA employees. The CTA is required to contribute 6% of payroll for all participating employees. Chicago Transit Authority employees contribute 3% of salary towards their pensions.

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| Retirement<br>Eligibility:  | Salary Used<br>to Calculate<br>Retirement<br>Annuity                          | Pension<br>Benefit<br>Formula  | Maximum<br>Retirement<br>Annuity | Automatic<br>Annual<br>Increase   |
|---|---|--|----------------------------------|---|
| Age 65<br>(normal<br>retirement<br>age); Age 55<br>with 25 years<br>(early<br>retirement with<br>no reduction). | Average of 4<br>highest<br>consecutive<br>years within the<br>final 10 years. | 2.15% of<br>average annual<br>compensation<br>for each year of<br>service. | 70% of average annual salary.    | Made on an ad<br>hoc basis; most<br>recent increase<br>of \$40 per<br>month for<br>members who<br>retired after<br>1/1/91 but<br>before 1/1/00. |

*Metropolitan Water Reclamation District Retirement Fund*: This system covers any person employed by the Metropolitan Water Reclamation District whose duties include service during a calendar year for a minimum of 120 days. A commissioner may elect to participate within 90 days after becoming a Commissioner.

| Summary of Financial Condition                          |           |                    |           |          |  |
|---|-----------|--------------------|-----------|----------|--|
| Metropolitam Water Reclamation Distruct Retirement Fund |           |                    |           |          |  |
|   |           | (\$ 111 MIIII0118) |           |          |  |
| Fiscal  | Accrued   | Net                | Unfunded  | Funded   |  |
| Year  | Liability | Assets             | Liability | Ratio    |  |
| 1997  | \$1,063.7 | \$935.4            | \$128.3   | 87.9%    |  |
| 1998  | 1,132.4   | 1,034.2            | 98.2      | 91.3%    |  |
| 1999  | 1,211.8   | 1,047.0            | 164.8     | 86.4%    |  |
| 2000  | 1,267.2   | 1,110.3            | 156.8     | 87.6%    |  |
| 2001  | 1,346.0   | 1,155.8            | 190.2     | 85.9%    |  |
| 2002  | 1,470.9   | 1,136.9            | 334.0     | 77.3%    |  |
| 2003  | 1,517.9   | 1,146.5            | 371.3     | 75.5%    |  |
| 2004  | 1,578.4   | 1,161.8            | 416.6     | 73.6%    |  |
| 2005  | 1,654.1   | 1,171.8            | 482.3     | 70.8%    |  |
| 2006  | 1,724.7   | 1,209.6            | 515.1     | 70.1%    |  |
| Fiscal  | Active    | Total              | Average   | Average  |  |
| Year  | Employees | Annuitants         | Salary    | Annuity  |  |
| 1997  | 2,109     | 1,399              | \$53,044  | \$27,232 |  |
| 1998  | 2,144     | 1,424              | \$55,069  | \$29,431 |  |
| 1999  | 2,140     | 1,448              | \$57,260  | \$31,594 |  |
| 2000  | 2,084     | 1,454              | \$60,907  | \$34,039 |  |
| 2001  | 2,137     | 1,452              | \$63,820  | \$36,842 |  |
| 2002  | 2,067     | 1,489              | \$66,608  | \$39,335 |  |
| 2003  | 2,060     | 1,495              | \$69,220  | \$41,965 |  |
| 2004  | 2,051     | 1,520              | \$71,360  | \$44,060 |  |
| 2005  | 2,025     | 1,537              | \$73,702  | \$46,596 |  |
| 2006  | 1,995     | 1,573              | \$76,575  | \$48,730 |  |

TABLE 18

FY 2006 Payroll: \$152.8 Million

#### Metropolitan Water Reclamation District Retirement Fund

Employer contributions to the Metropolitan Water Reclamation District Retirement Fund are made by the District pursuant to a tax levy formula outlined in the Illinois Pension Code. The District is required to contribute an amount equal to the employee contributions to the fund two years prior to the year for which the tax is levied, multiplied by 2.19, excluding employee contributions to optional additional benefits made after January 1, 2003, which are multiplied by 1.00. Covered employees are required to contribute 9% of their salary to the MWRD Retirement Fund.

| Retirement<br>Eligibility:  | Salary Used<br>to Calculate<br>Retirement<br>Annuity                             | Pension<br>Benefit<br>Formula   | Maximum<br>Retirement<br>Annuity   | Automatic<br>Annual<br>Increase |
|---|--|---|------------------------------------|---------------------------------|
| Age 60 with 5<br>years; Rule of<br>80; Age 50<br>with 10 years<br>of service (Age<br>55 if hired<br>after 7/13/97). | Any 52<br>consecutive pay<br>periods within<br>the final 10<br>years of service. | <ul> <li>2.2% of final<br/>average salary for<br/>the first 20 years<br/>of service; plus</li> <li>2.4% of final<br/>average salary for<br/>each year in<br/>excess of 20.</li> </ul> | 80% of final<br>average<br>salary. | 3%<br>compounded.               |

| Cook County Employees' Pension Fund: This system covers persons employed by Coo | эk |
|---|----|
| County whose salary or wage is paid in whole or in part by the County.          |    |

| Summary of Financial Condition |           |                    |              |          |
|--------------------------------|-----------|--------------------|--------------|----------|
|                                | Cook Cou  | nty Employees' F   | Pension Fund |          |
|                                |           | (\$ III MIIIIOIIS) |              |          |
| Fiscal                         | Accrued   | Net                | Unfunded     | Funded   |
| Year                           | Liability | Assets             | Liability    | Ratio    |
| 1997                           | \$4,253.9 | \$3,676.8          | \$577.1      | 86.4%    |
| 1998                           | 4,942.2   | 4,111.2            | 831.0        | 83.2%    |
| 1999                           | 5,555.7   | 5,273.2            | 282.5        | 94.9%    |
| 2000                           | 6,070.3   | 5,707.0            | 363.3        | 94.0%    |
| 2001                           | 6,678.2   | 5,935.5            | 742.7        | 88.9%    |
| 2002                           | 7,846.3   | 5,861.2            | 1,985.1      | 74.7%    |
| 2003                           | 8,781.0   | 6,378.5            | 2,402.5      | 72.6%    |
| 2004                           | 9,450.8   | 6,700.8            | 2,750.0      | 70.9%    |
| 2005                           | 9,269.0   | 7,027.5            | 2,241.5      | 75.8%    |
| 2006                           | 9,904.0   | 7,462.0            | 2,442.0      | 75.3%    |
| Fiscal                         | Active    | Employee           | Average      | Average  |
| Year                           | Employees | Annuitants         | Salary       | Annuity  |
| 1997                           | 26,321    | 7,162              | \$40,577     | \$21,690 |
| 1998                           | 26,271    | 8,707              | \$40,595     | \$24,632 |
| 1999                           | 26,397    | 8,701              | \$44,041     | \$19,318 |
| 2000                           | 26,767    | 8,684              | \$47,112     | \$19,775 |
| 2001                           | 26,540    | 8,767              | \$48,039     | \$17,273 |
| 2002                           | 26,571    | 8,814              | \$50,072     | \$18,621 |
| 2003                           | 25,513    | 11,037             | \$51,232     | \$36,674 |
| 2004                           | 25,848    | 11,174             | \$53,062     | \$33,094 |
| 2005                           | 26,571    | 11,190             | \$53,932     | \$28,266 |
| 2006                           | 25,555    | 11,416             | \$55,282     | \$26,534 |

TABLE 20

FY 2006 Payroll: \$1.4 Billion

## Cook County Employees' Pension Fund

Employer contributions to the Cook County Employees' Pension Fund are made by the county board pursuant to a property tax levy formula outlined in the Illinois Pension Code. The County is required to contribute an amount equal to the employee contributions to the fund two years prior to the year for which the tax is levied, multiplied by 1.54. Cook County Employees' contribute 8.5% of salary towards their pensions.

| Retirement<br>Eligibility:                           | Salary Used<br>to Calculate<br>Retirement<br>Annuity             | Pension<br>Benefit<br>Formula                                   | Maximum<br>Retirement<br>Annuity | Automatic<br>Annual<br>Increase |
|--|--|---|----------------------------------|---------------------------------|
| Age 50 with<br>10 years; Age<br>50 with 20<br>years. | Any 48<br>consecutive<br>months within<br>the final 10<br>years. | 2.4% of final<br>average salary<br>for each year of<br>service. | 80% of final average salary.     | 3%<br>compounded.               |

| TABLE 21 |
|----------|
|----------|

*Cook County Forest Preserve Employees' Pension Fund*: This system covers any person employed by the Cook County Forest Preserve District whose salary or wage is paid in whole or in part by the Forest Preserve District.

| TIDLL                          |   |                  |           |          |  |  |  |  |  |
|--------------------------------|---|------------------|-----------|----------|--|--|--|--|--|
| Summary of Financial Condition |   |                  |           |          |  |  |  |  |  |
|                                | Cook County Forest Preserve Employees' Pension Fund |                  |           |          |  |  |  |  |  |
|                                |   | (\$ in Millions) |           |          |  |  |  |  |  |
| Fiscal                         | Accrued   | Net              | Unfunded  | Funded   |  |  |  |  |  |
| Year                           | Liability   | Assets           | Liability | Ratio    |  |  |  |  |  |
| 1997                           | \$121.6   | \$112.6          | \$8.9     | 92.7%    |  |  |  |  |  |
| 1998                           | 136.4   | 124.0            | 12.3      | 91.0%    |  |  |  |  |  |
| 1999                           | 158.5   | 167.1            | (8.5)     | 105.4%   |  |  |  |  |  |
| 2000                           | 171.6   | 177.9            | (6.3)     | 103.7%   |  |  |  |  |  |
| 2001                           | 184.4   | 180.7            | 3.7       | 98.0%    |  |  |  |  |  |
| 2002                           | 212.0   | 173.0            | 39.1      | 81.6%    |  |  |  |  |  |
| 2003                           | 218.7   | 176.4            | 42.3      | 80.6%    |  |  |  |  |  |
| 2004                           | 245.3   | 186.5            | 58.8      | 76.0%    |  |  |  |  |  |
| 2005                           | 217.6   | 189.1            | 28.5      | 86.9%    |  |  |  |  |  |
| 2006                           | 226.6   | 193.5            | 33.1      | 85.4%    |  |  |  |  |  |
| Fiscal                         | Active  | Employee         | Average   | Average  |  |  |  |  |  |
| Year                           | Employees   | Annuitants       | Salary    | Annuity  |  |  |  |  |  |
| 1997                           | 811   | 199              | \$33,739  | \$21,632 |  |  |  |  |  |
| 1998                           | 813   | 236              | \$33,782  | \$19,521 |  |  |  |  |  |
| 1999                           | 836   | 239              | \$35,363  | \$17,514 |  |  |  |  |  |
| 2000                           | 885   | 241              | \$36,397  | \$23,016 |  |  |  |  |  |
| 2001                           | 708   | 246              | \$40,440  | \$18,566 |  |  |  |  |  |
| 2002                           | 614   | 257              | \$41,989  | \$21,016 |  |  |  |  |  |
| 2003                           | 385   | 343              | \$45,061  | \$25,688 |  |  |  |  |  |
| 2004                           | 368   | 367              | \$45,208  | \$22,368 |  |  |  |  |  |
| 2005                           | 368   | 367              | \$45,931  | \$22,429 |  |  |  |  |  |
| 2006                           | 394   | 359              | \$48,662  | \$24,205 |  |  |  |  |  |

TABLE 22

FY 2006 Payroll: \$19.2 Million

## Cook County Forest Preserve Employees' Pension Fund

Employer contributions to the Cook County Forest Preserve Employees' Pension Fund are made by the Forest Preserve District pursuant to a property tax levy formula outlined in the Illinois Pension Code. The Forest Preserve District is required to contribute an amount equal to the employee contributions to the fund two years prior to the year for which the tax is levied, multiplied by 1.30. Forest preserve employees contribute 8.5% of salary towards their pensions.

| ТА | RI | E        | 23      |  |
|----|----|----------|---------|--|
| ID | DL | <u> </u> | <i></i> |  |

| Retirement<br>Eligibility: | Salary Used<br>to Calculate<br>Retirement Annuity                 | Pension<br>Benefit<br>Formula                                   | Maximum<br>Retirement<br>Annuity   | Automatic<br>Annual<br>Increase |
|----------------------------|---|---|------------------------------------|---------------------------------|
| Age 50 with 10 years.      | Highest 48<br>consecutive months<br>within the final 10<br>years. | 2.4% of final<br>average salary for<br>each year of<br>service. | 80% of final<br>average<br>salary. | 3%<br>compounded.               |

*Illinois Municipal Retirement Fund*: This system covers employees hired by the following units of government: (1) All counties except Cook and all school districts except Chicago, (2) Other units of government with general taxing powers, such as cities, villages, townships and special districts, (3) Certain participating instrumentalities, including units of government without general taxing powers, associations, or cooperatives authorized by State statute.

| Summary of Financial Condition |            |                  |            |            |  |  |  |
|--------------------------------|------------|------------------|------------|------------|--|--|--|
|                                | minois     | (\$ in Millions) |            |            |  |  |  |
| Fiscal                         | Accrued    | Net              | Unfunded   | Funded     |  |  |  |
| Year                           | Liability  | Assets           | Liability  | Ratio      |  |  |  |
| 1997                           | \$10,807.9 | \$10,273.1       | \$534.8    | 95.1%      |  |  |  |
| 1998                           | 11,860.9   | 11,636.5         | 224.4      | 98.1%      |  |  |  |
| 1999                           | 13,005.0   | 13,520.2         | (515.2)    | 104.0%     |  |  |  |
| 2000                           | 14,153.0   | 15,169.4         | (1,016.4)  | 107.2%     |  |  |  |
| 2001                           | 15,318.5   | 16,305.0         | (986.5)    | 106.4%     |  |  |  |
| 2002                           | 16,559.9   | 16,800.2         | (240.3)    | 101.5%     |  |  |  |
| 2003                           | 17,966.1   | 17,529.9         | 436.2      | 97.6%      |  |  |  |
| 2004                           | 19,424.7   | 18,316.0         | 1,108.7    | 94.3%      |  |  |  |
| 2005                           | 20,815.1   | 19,872.8         | 942.3      | 95.5%      |  |  |  |
| 2006                           | 22,485.1   | 22,507.6         | (22.5)     | 100.1%     |  |  |  |
| Fiscal                         | Active     | Total            | Average    | Average    |  |  |  |
| Year                           | Employees  | Annuitants       | Salary     | Annuity    |  |  |  |
| 1997                           | 146,659    | 64,056           | \$23,991.0 | \$10,643.0 |  |  |  |
| 1998                           | 150,428    | 66,272           | \$24,871.0 | \$10,415.0 |  |  |  |
| 1999                           | 155,517    | 68,331           | \$25,678.0 | \$10,102.0 |  |  |  |
| 2000                           | 159,810    | 69,862           | \$26,514.0 | \$9,314.0  |  |  |  |
| 2001                           | 164,845    | 71,432           | \$27,477.0 | \$11,023.0 |  |  |  |
| 2002                           | 167,776    | 73,360           | \$28,582.0 | \$12,217.0 |  |  |  |
| 2003                           | 167,952    | 75,775           | \$29,709.0 | \$13,862.0 |  |  |  |
| 2004                           | 168,536    | 78,242           | \$30,889.0 | \$14,118.0 |  |  |  |
| 2005                           | 170,928    | 80,719           | \$31,640.0 | \$13,145.0 |  |  |  |
| 2006                           | 174,008    | 71,075           | \$32,535.0 | \$12,864.0 |  |  |  |

TABLE 24

Total FY 2006 Payroll: \$5.6 Billion

## Illinois Municipal Retirement Fund

Employer contributions to the Illinois Municipal Retirement Fund are made by participating municipalities and instrumentalities and are calculated annually for each employer. IMRF has three benefit categories: Regular IMRF, Sheriff's Law Enforcement Personnel (SLEP), and Elected County Officers (ECO). In 2006, IMRF employers contributed an average of 10.04% of payroll for Regular IMRF members, 18.25% of payroll for SLEP employees and 44.90% of payroll for ECO employees. Regular IMRF members contribute 4.5% towards their pensions; SLEP and ECO members contribute 7.5% towards their pensions.

| TABLE 25            |
|---------------------|
| <b>Regular IMRF</b> |

| Retirement<br>Eligibility:   | Salary Used<br>to Calculate<br>Retirement Annuity                          | Pension<br>Benefit<br>Formula   | Maximum<br>Retirement<br>Annuity   | Automatic<br>Annual<br>Increase |
|--|--|---|------------------------------------|---------------------------------|
| Age 60 with<br>8 or more<br>years; 55<br>with 35 or<br>more years. | Average of 4<br>highest consecutive<br>years within the<br>final 10 years. | <ul><li>1.75% of final average<br/>salary for each of the<br/>first 15 years of service,<br/>plus 2% for each year in<br/>excess of 15.</li></ul> | 75% of final<br>average<br>salary. | 3% of the original annuity.     |

#### Sheriff's Law Enforcement Personnel (SLEP)

| Retirement<br>Eligibility:          | Salary Used<br>to Calculate<br>Retirement Annuity                          | Pension<br>Benefit<br>Formula  | Maximum<br>Retirement<br>Annuity   | Automatic<br>Annual<br>Increase |
|-------------------------------------|--|--------------------------------|------------------------------------|---------------------------------|
| Age 50 with<br>20 or more<br>years. | Average of 4<br>highest consecutive<br>years within the<br>final 10 years. | 2.50% of final average salary. | 80% of final<br>average<br>salary. | 3% of the original annuity.     |

## **Elected County Officers (ECO)**

| Retirement<br>Eligibility:         | Salary Used<br>to Calculate<br>Retirement Annuity   | Pension<br>Benefit<br>Formula   | Maximum<br>Retirement<br>Annuity   | Automatic<br>Annual<br>Increase |
|------------------------------------|---|---|------------------------------------|---------------------------------|
| Age 55 with<br>8 or more<br>years. | Salary on the final<br>day of service. For<br>members joining<br>the plan after Jan.<br>25, 2000, pension<br>is based on a four-<br>year average<br>calculated for each<br>office held. | 3% of final average<br>salary for the first 8<br>years, plus 4% of final<br>average salary for each<br>year of service between<br>8 and 12 years, plus 5%<br>of final average salary<br>for each year in excess<br>of 12. | 80% of final<br>average<br>salary. | 3% of the original annuity.     |

# **APPENDICES**

#### APPENDIX A

| STATE RETIREMENT SYSTEMS<br>CHANGES IN UNFUNDED LIABILITY<br>FY 1998 - FY 2006 |                     |   |   |                      |  |                           |  |
|--|---------------------|---|---|----------------------|--|---------------------------|--|
|  | SALARY<br>INCREASES | INVESTMENT<br>RETURNS<br>(HIGHER)/LOWER<br>THAN ASSUMED | EMPLOYER<br>CONTRIBUTIONS<br>N. C. + INTEREST<br>(HIGHER)/LOWER | BENEFIT<br>INCREASES | CHANGES IN<br>ASSUMPTIONS<br>ACTUARIAL | OTHER<br>FACTORS<br>MISC. | TOTAL CHANGE<br>IN UNFUNDED<br>LIABILITY FROM<br>PREVIOUS YR |
| TEACHERS'  |                     |   | · · · ·   |                      |  |                           |  |
| 6/30/1998  | (46 017 000)        | (1 417 747 000)   | 776 189 000   | 1.000.300.000        | 0                                      | 71 152 000                | 383 877 000  |
| 6/30/1999  | 44,030,000          | (389,014,000)   | 677,408,000   | 33,870,000           | 125,223,000                            | 533,933,000               | 1,025,450,000  |
| 6/30/2000  | (33,403,000)        | (450,361,000)   | 723,606,000   | 0                    | 0                                      | 197,345,000               | 437,187,000  |
| 6/30/2001  | (10,310,000)        | 3,089,765,000   | 733,877,000   | 0                    | 0                                      | 632,729,000               | 4,446,061,000  |
| 6/30/2002  | 4,934,000           | 2,696,199,000   | 1,074,422,000   | 0<br>52 850 000      | 694,736,000                            | 360,047,000               | 4,830,338,000  |
| 6/30/2003  | 217.255.000         | (2.168,876,000)   | (2.811.516.000)   | 33,830,000           | 0                                      | 357,250,000               | (4,405,887,000)  |
| 6/30/2005  | 236,687,000         | (682,294,000)   | 1,299,840,000   | 0                    | 26,425,000                             | 1,706,431,000             | 2,587,089,000  |
| 6/30/2006  | 68,398,000          | (1,159,525,000)   | 1,913,368,000   | 0                    | 0                                      | (400,028,000)             | 422,213,000  |
| Total  | \$653,376,000       | \$345,581,000   | \$5,802,804,000   | \$1,088,020,000      | \$846,384,000                          | \$4,117,383,000           | \$12,853,548,000   |
| STATE UNIVE  | RSITIES             |   |   |                      |  |                           |  |
| 6/30/1998  | 5,238,000           | (765,736,000)   | 158,840,000   | 0                    | 0                                      | 48,075,000                | (553,583,000)  |
| 6/30/1999  | 44,300,000          | (273,300,000)   | 147,200,000   | 0                    | 0                                      | 314,900,000               | 233,100,000  |
| 6/30/2000  | 171,500,000         | (587,500,000)   | 162,051,000   | 0                    | 0                                      | 13,700,000                | (240,249,000)  |
| 6/30/2002  | 90,800,000          | 2,008,300,000   | 313 944 000   | 63 000 000           | 485 300 000                            | 200,700,000               | 2,340,931,000  |
| 6/30/2003  | 10,300,000          | 583,000,000   | 549,400,000   | 0                    | 0                                      | 328,400,000               | 1,471,100,000  |
| 6/30/2004  | (62,900,000)        | (950,500,000)   | (846,007,000)   | 0                    | 0                                      | 41,200,000                | (1,818,207,000)  |
| 6/30/2005  | (19,400,000)        | (218,000,000)   | 536,815,000   | 0                    | 0                                      | 208,005,000               | 507,420,000  |
| 6/30/2006  | 28,600,000          | (414,100,000)   | 712,100,000   | 0                    | 6485 200 000                           | 187,700,000               | 514,300,000  |
| Total  | \$338,738,000       | \$1,011,004,000   | \$1,873,774,000   | \$05,000,000         | \$485,500,000                          | \$1,304,280,000           | \$5,558,150,000  |
| STATE EMPLO  | OYEES'              |   |   |                      |  |                           |  |
| 6/30/1998  | (62.013.427)        | (568,807,725)   | 9,431,057   | 1,249,883,128        | 0                                      | 148,729,225               | 777,222,258  |
| 6/30/1999  | (12,536,220)        | (307,064,512)   | 21,020,544  | 0                    | 0                                      | 32,949,396                | (265,630,792)  |
| 6/30/2000  | 14,642,937          | (252,699,421)   | (21,811,201)  | 0                    | 0                                      | 250,182,926               | (9,684,759)  |
| 6/30/2001  | (8,000,000)         | 1,368,815,911   | (29,398,605)  | 652,110,224          | 0                                      | 309,964,003               | 2,293,491,533  |
| 6/30/2002  | 52,000,000          | 620 483 066   | 186,860,538   | 2 371 173 004        | 168,144,000                            | 496,199,643               | 2,321,572,973  |
| 6/30/2004  | (22,316,647)        | (679,743,495)   | (944,135,304)   | 2,571,175,094        | 0                                      | 6,804,783                 | (1,639,390,663)  |
| 6/30/2005  | (166,479,933)       | (123,132,472)   | 503,532,346   | 0                    | 0                                      | 144,142,000               | 358,061,941  |
| 6/30/2006  | 33,070,000          | (250,686,000)   | 772,374,000   | 0                    | 710,976,000                            | (101,544,000)             | 1,164,190,000  |
| Total  | (\$199,915,725)     | \$1,063,435,044   | \$902,400,300   | \$4,444,266,446      | \$879,120,000                          | \$1,385,243,283           | \$8,474,549,348  |
| JUDGES'  |                     |   |   |                      |  |                           |  |
| 6/30/1998  | (10,160,914)        | (30,497,137)  | 34,123,085  | 0                    | 0                                      | 7,218,733                 | 683,767  |
| 6/30/1999  | 456,439             | (16,539,663)  | 32,504,330  | 0                    | 0                                      | 8,821,168                 | 25,242,274   |
| 6/30/2000  | 2,215,672           | (14,134,561)  | 33,196,266  | 2,848,501            | 0                                      | 8,268,502                 | 32,394,380   |
| 6/30/2001  | (7,464,258)         | 61,790,163<br>54 489 350                                | 35,767,996  | 0                    | 0<br>28 381 024                        | 17,044,333                | 107,138,234  |
| 6/30/2002  | (26,392,926)        | 27,183,676  | 49,293,246  | 0                    | 20,501,524                             | 18,906,930                | 68,990,926   |
| 6/30/2004  | 6,291,883           | (36,709,772)  | (92,295,242)  | 0                    | 0                                      | (1,952,146)               | (124,665,277)  |
| 6/30/2005  | (15,087,614)        | (8,899,756)   | 46,427,305  | 0                    | 0                                      | 27,509,646                | 49,949,581   |
| 6/30/2006  | (18,612,759)        | (17,213,516)  | 55,344,402  | 62 848 501           | (11,189,825)                           | 12,319,701                | 20,648,003   |
| Total  | (\$80,570,450)      | \$19,408,784  | \$250,552,180   | \$2,848,501          | \$17,192,099                           | \$100,740,501             | \$502,211,455  |
| GENERAL ASS  | SEMBLY              |   |   |                      |  |                           |  |
| 6/30/1998  | (233,098)           | (5,394,158)   | 5,710,203   | 0                    | 0                                      | 460,957                   | 543,904  |
| 6/30/1999  | 846,137             | (2,808,175)   | 5,298,511   | 0                    | 0                                      | 3,030,916                 | 6,367,389  |
| 6/30/2000  | (451,214)           | (2,371,993)   | 5,803.227   | 0                    | 0                                      | 1.273.197                 | 4,033,224 16.656.826   |
| 6/30/2002  | (1,520,756)         | 8,713,370   | 6,741,725   | 0                    | 1,211,951                              | (162,610)                 | 14,983,680   |
| 6/30/2003  | (1,793,094)         | 4,391,493   | 7,217,512   | 0                    | 0                                      | 6,485,877                 | 16,301,788   |
| 6/30/2004  | (2,633,642)         | (5,927,446)   | (19,174,182)  | 0                    | 0                                      | 5,286,195                 | (22,449,075)   |
| 6/30/2005  | (645,631)           | (1,288,918)   | 7,445,358   | 0                    | 0                                      | (262,887)                 | 5,247,922  |
| Total  | (\$10,080,295)      | \$3,883,104   | \$33,147,352  | \$0                  | \$5,998,942                            | \$19,382,411              | \$52,331,514   |
| TOTAL CTATE  | EINDED OVOTENO      |   |   |                      |  |                           |  |
| 6/20/1000  | (112 196 420)       | (2 788 182 020)   | 084 202 245   | 2 250 102 120        | 0                                      | 275 625 015               | 608 742 020  |
| 6/30/1998  | (115,180,439)       | (2,700,182,020)<br>(988,726,350)                        | 904,295,545<br>883.431.385                                      | 2,230,183,128        | 125.223.000                            | 213,033,913               | 1.024.528.871  |
| 6/30/2000  | 154,524,395         | (1,307,066,975)   | 902,618,505   | 2,848,501            | 0                                      | 471,576,419               | 224,500,845  |
| 6/30/2001  | 43,970,419          | 6,599,006,799   | 887,480,618   | 652,110,224          | 0                                      | 1,227,710,533             | 9,410,278,593  |
| 6/30/2002  | 134,391,291         | 5,575,370,512   | 1,624,139,055   | 234,100,000          | 1,377,773,875                          | 1,020,293,467             | 9,966,068,200  |
| 6/30/2003  | 125,633,545         | 2,071,493,135   | 2,426,047,683   | 2,425,023,094        | 0                                      | 1,110,132,114             | 8,158,329,571  |
| 6/30/2005  | 35.073.822          | (1.033.615.146)   | 2,394.060.009   | 0                    | 26.425.000                             | 2.085.824.759             | 3,507.768.444  |
| 6/30/2006  | 108,341,567         | (1,843,091,310)   | 3,461,714,960   | 0                    | 704,573,166                            | (300,361,524)             | 2,131,176,859  |
| Total  | \$701,541,550       | \$2,443,431,932   | \$8,850,657,832   | \$5,598,134,947      | \$2,233,995,041                        | \$7,193,034,995           | \$27,020,796,297   |
|  |                     |   |   |                      |  |                           |  |

#### APPENDIX B

## FUNDING PROJECTIONS FOR THE STATE RETIREMENT SYSTEMS Projections Based on Laws in Effect on June 30, 2006

(\$ in millions)

| Fiscal<br>Year | Annual<br>Payroll | Total State<br>Contribution | State<br>Contribution as<br>a % of Payroll | Total Employee<br>Contribution | Accrued Liabilities | Assets    | Unfunded<br>Liabilities | Funded Ratio |
|----------------|-------------------|-----------------------------|--|--------------------------------|---------------------|-----------|-------------------------|--------------|
| 2007           | 15,132.2          | 1,372.3                     | 9.1%                                       | 1,292.3                        | 108,838.4           | 64,639.4  | 44,198.9                | 59.4%        |
| 2008           | 15,787.9          | 2,018.7                     | 12.8%                                      | 1,343.2                        | 114,409.7           | 67,429.7  | 46,979.9                | 58.9%        |
| 2009           | 16,428.1          | 2,739.1                     | 16.7%                                      | 1,396.4                        | 120,185.2           | 70,906.5  | 49,278.8                | 59.0%        |
| 2010           | 17,092.9          | 3,498.7                     | 20.6%                                      | 1,449.9                        | 126,141.1           | 75,122.9  | 51,018.2                | 59.6%        |
| 2011           | 17,772.6          | 3,641.9                     | 20.6%                                      | 1,504.2                        | 132,244.2           | 79,447.0  | 52,797.2                | 60.1%        |
| 2012           | 18,469.0          | 3,788.2                     | 20.6%                                      | 1,559.7                        | 138,473.2           | 83,864.4  | 54,608.7                | 60.6%        |
| 2013           | 19,188.6          | 3,939.6                     | 20.6%                                      | 1,617.0                        | 144,801.9           | 88,350.8  | 56,451.1                | 61.0%        |
| 2014           | 19,938.2          | 4,096.7                     | 20.6%                                      | 1,677.8                        | 151,219.9           | 92,900.9  | 58,319.0                | 61.4%        |
| 2015           | 20,725.3          | 4,261.5                     | 20.6%                                      | 1,743.1                        | 157,729.7           | 97,573.1  | 60,156.6                | 61.9%        |
| 2016           | 21,552.8          | 4,434.3                     | 20.6%                                      | 1,811.9                        | 164,323.5           | 102,320.6 | 62,002.8                | 62.3%        |
| 2017           | 22,420.7          | 4,615.2                     | 20.6%                                      | 1,884.9                        | 171,001.2           | 107,151.8 | 63,849.4                | 62.7%        |
| 2018           | 23,334.3          | 4,805.3                     | 20.6%                                      | 1,962.1                        | 177,769.6           | 112,080.3 | 65,689.3                | 63.0%        |
| 2019           | 24,297.3          | 5,005.3                     | 20.6%                                      | 2,043.7                        | 184,641.5           | 117,122.9 | 67,518.6                | 63.4%        |
| 2020           | 25,314.8          | 5,216.1                     | 20.6%                                      | 2,130.2                        | 191,626.3           | 122,298.5 | 69,327.8                | 63.8%        |
| 2021           | 26,386.3          | 5,437.7                     | 20.6%                                      | 2,221.6                        | 198,741.2           | 127,632.4 | 71,108.8                | 64.2%        |
| 2022           | 27,514.7          | 5,670.7                     | 20.6%                                      | 2,318.4                        | 206,055.0           | 133,151.3 | 72,903.7                | 64.6%        |
| 2023           | 28,699.8          | 5,915.0                     | 20.6%                                      | 2,420.4                        | 213,526.5           | 138,942.9 | 74,583.6                | 65.1%        |
| 2024           | 29,946.7          | 6,171.6                     | 20.6%                                      | 2,528.1                        | 221,180.2           | 144,990.2 | 76,189.9                | 65.6%        |
| 2025           | 31,238.8          | 6,436.7                     | 20.6%                                      | 2,640.1                        | 229,028.9           | 151,319.2 | 77,709.7                | 66.1%        |
| 2026           | 32,590.2          | 6,713.3                     | 20.6%                                      | 2,758.6                        | 237,095.0           | 157,974.0 | 79,120.9                | 66.6%        |
| 2027           | 34,007.7          | 7,003.4                     | 20.6%                                      | 2,880.6                        | 245,310.6           | 164,921.8 | 80,388.9                | 67.2%        |
| 2028           | 35,455.0          | 7,297.8                     | 20.6%                                      | 3,002.7                        | 253,769.0           | 172,234.0 | 81,535.1                | 67.9%        |
| 2029           | 37,007.6          | 7,614.9                     | 20.6%                                      | 3,132.5                        | 262,496.4           | 179,968.4 | 82,528.0                | 68.6%        |
| 2030           | 38,640.6          | 7,948.5                     | 20.6%                                      | 3,271.3                        | 271,515.1           | 188,178.9 | 83,336.2                | 69.3%        |
| 2031           | 40,353.4          | 8,298.2                     | 20.6%                                      | 3,419.2                        | 280,839.5           | 196,921.9 | 83,917.6                | 70.1%        |
| 2032           | 42,152.2          | 8,665.6                     | 20.6%                                      | 3,571.2                        | 290,495.5           | 206,242.6 | 84,253.0                | 71.0%        |
| 2033           | 44,039.0          | 9,050.8                     | 20.6%                                      | 3,728.0                        | 300,512.9           | 216,195.6 | 84,317.3                | 71.9%        |
| 2034           | 46,018.6          | 9,454.8                     | 20.5%                                      | 3,890.4                        | 310,930.4           | 226,844.3 | 84,086.1                | 73.0%        |
| 2035           | 48,095.0          | 9,878.3                     | 20.5%                                      | 4,067.2                        | 321,786.3           | 238,283.4 | 83,503.0                | 74.1%        |
| 2036           | 50,275.0          | 10,322.2                    | 20.5%                                      | 4,256.7                        | 333,107.3           | 250,602.6 | 82,504.7                | 75.2%        |
| 2037           | 52,559.4          | 10,788.0                    | 20.5%                                      | 4,451.3                        | 344,934.5           | 263,869.7 | 81,064.8                | 76.5%        |
| 2038           | 54,959.7          | 11,276.7                    | 20.5%                                      | 4,655.7                        | 357,305.1           | 278,154.3 | 79,150.8                | 77.8%        |
| 2039           | 57,482.2          | 11,789.9                    | 20.5%                                      | 4,871.8                        | 370,276.2           | 293,563.4 | 76,712.8                | 79.3%        |
| 2040           | 60,129.5          | 12,328.1                    | 20.5%                                      | 5,100.4                        | 383,890.3           | 310,229.1 | 73,661.3                | 80.8%        |
| 2041           | 62,905.4          | 12,891.9                    | 20.5%                                      | 5,339.3                        | 398,191.1           | 328,271.2 | 69,920.0                | 82.4%        |
| 2042           | 65,813.8          | 13,482.2                    | 20.5%                                      | 5,589.4                        | 413,235.6           | 347,824.2 | 65,411.3                | 84.2%        |
| 2043           | 68,858.8          | 14,099.6                    | 20.5%                                      | 5,851.8                        | 429,081.8           | 369,035.4 | 60,046.3                | 86.0%        |
| 2044           | 72,047.4          | 14,746.0                    | 20.5%                                      | 6,126.8                        | 445,807.3           | 392,079.2 | 53,728.1                | 87.9%        |
| 2045           | 75,383.0          | 15,421.7                    | 20.5%                                      | 6,412.6                        | 463,471.8           | 417,125.8 | 46,346.0                | 90.0%        |

#### APPENDIX C

## FUNDING PROJECTIONS FOR THE TEACHERS RETIREMENT SYSTEM Projections Based on Laws in Effect on June 30, 2006

(\$ in millions)

| Fiscal<br>Year | Annual<br>Payroll | Total State<br>Contribution | State<br>Contribution as<br>a % of Payroll | Total Employee<br>Contribution | Accrued<br>Liability | Assets    | Unfunded<br>Liabilities | Funded Ratio |
|----------------|-------------------|-----------------------------|--|--------------------------------|----------------------|-----------|-------------------------|--------------|
| 2007           | 7,939.3           | 735.5                       | 9.3%                                       | 796.1                          | 62,575.8             | 38,210.2  | 24,365.7                | 61.1%        |
| 2008           | 8,293.5           | 1,039.2                     | 12.5%                                      | 827.1                          | 65,878.7             | 40,028.8  | 25,849.9                | 60.8%        |
| 2009           | 8,642.2           | 1,387.5                     | 16.1%                                      | 860.2                          | 69,306.7             | 42,212.3  | 27,094.4                | 60.9%        |
| 2010           | 8,997.6           | 1,758.0                     | 19.5%                                      | 892.5                          | 72,841.9             | 44,777.7  | 28,064.2                | 61.5%        |
| 2011           | 9,360.6           | 1,829.0                     | 19.5%                                      | 925.2                          | 76,470.4             | 47,409.9  | 29,060.5                | 62.0%        |
| 2012           | 9,732.0           | 1,901.5                     | 19.5%                                      | 958.4                          | 80,181.8             | 50,103.5  | 30,078.3                | 62.5%        |
| 2013           | 10,115.6          | 1,976.5                     | 19.5%                                      | 992.7                          | 83,962.7             | 52,842.9  | 31,119.8                | 62.9%        |
| 2014           | 10,517.5          | 2,055.0                     | 19.5%                                      | 1,029.5                        | 87,809.4             | 55,627.6  | 32,181.8                | 63.4%        |
| 2015           | 10,941.9          | 2,137.9                     | 19.5%                                      | 1,069.9                        | 91,727.0             | 58,516.8  | 33,210.2                | 63.8%        |
| 2016           | 11,390.4          | 2,225.5                     | 19.5%                                      | 1,112.6                        | 95,723.9             | 61,472.8  | 34,251.1                | 64.2%        |
| 2017           | 11,863.8          | 2,318.1                     | 19.5%                                      | 1,158.3                        | 99,808.9             | 64,508.6  | 35,300.2                | 64.6%        |
| 2018           | 12,363.8          | 2,415.7                     | 19.5%                                      | 1,206.9                        | 103,992.2            | 67,639.2  | 36,353.0                | 65.0%        |
| 2019           | 12,892.7          | 2,519.1                     | 19.5%                                      | 1,258.5                        | 108,286.6            | 70,879.8  | 37,406.8                | 65.5%        |
| 2020           | 13,453.7          | 2,628.7                     | 19.5%                                      | 1,313.3                        | 112,709.7            | 74,250.1  | 38,459.6                | 65.9%        |
| 2021           | 14,046.3          | 2,744.5                     | 19.5%                                      | 1,371.5                        | 117,277.2            | 77,771.9  | 39,505.3                | 66.3%        |
| 2022           | 14,670.8          | 2,866.5                     | 19.5%                                      | 1,433.3                        | 122,004.0            | 81,468.8  | 40,535.2                | 66.8%        |
| 2023           | 15,326.9          | 2,994.7                     | 19.5%                                      | 1,498.6                        | 126,904.8            | 85,363.6  | 41,541.2                | 67.3%        |
| 2024           | 16,016.0          | 3,129.3                     | 19.5%                                      | 1,567.6                        | 131,996.7            | 89,481.8  | 42,515.0                | 67.8%        |
| 2025           | 16,739.1          | 3,270.6                     | 19.5%                                      | 1,639.9                        | 137,298.9            | 93,849.8  | 43,449.2                | 68.4%        |
| 2026           | 17,494.4          | 3,418.2                     | 19.5%                                      | 1,716.7                        | 142,819.8            | 98,494.7  | 44,325.1                | 69.0%        |
| 2027           | 18,282.3          | 3,572.1                     | 19.5%                                      | 1,794.6                        | 148,568.9            | 103,429.8 | 45,139.2                | 69.6%        |
| 2028           | 19,104.7          | 3,732.8                     | 19.5%                                      | 1,873.5                        | 154,556.9            | 108,668.8 | 45,888.1                | 70.3%        |
| 2029           | 19,963.5          | 3,900.6                     | 19.5%                                      | 1,954.7                        | 160,795.4            | 114,227.6 | 46,567.8                | 71.0%        |
| 2030           | 20,860.6          | 4,075.9                     | 19.5%                                      | 2,041.8                        | 167,290.9            | 120,134.5 | 47,156.4                | 71.8%        |
| 2031           | 21,797.6          | 4,259.0                     | 19.5%                                      | 2,135.2                        | 174,043.4            | 126,420.1 | 47,623.3                | 72.6%        |
| 2032           | 22,777.7          | 4,450.5                     | 19.5%                                      | 2,229.5                        | 181,058.3            | 133,095.6 | 47,962.7                | 73.5%        |
| 2033           | 23,802.5          | 4,650.7                     | 19.5%                                      | 2,325.3                        | 188,345.4            | 140,179.8 | 48,165.6                | 74.4%        |
| 2034           | 24,874.1          | 4,860.1                     | 19.5%                                      | 2,423.5                        | 195,920.6            | 147,696.4 | 48,224.2                | 75.4%        |
| 2035           | 25,996.2          | 5,079.4                     | 19.5%                                      | 2,532.7                        | 203,798.1            | 155,699.1 | 48,099.0                | 76.4%        |
| 2036           | 27,173.8          | 5,309.1                     | 19.5%                                      | 2,651.2                        | 211,982.2            | 164,235.3 | 47,746.8                | 77.5%        |
| 2037           | 28,406.9          | 5,550.4                     | 19.5%                                      | 2,771.2                        | 220,490.8            | 173,329.0 | 47,161.8                | 78.6%        |
| 2038           | 29,706.5          | 5,804.3                     | 19.5%                                      | 2,897.6                        | 229,342.8            | 183,004.9 | 46,337.9                | 79.8%        |
| 2039           | 31,077.4          | 6,072.2                     | 19.5%                                      | 3,032.2                        | 238,574.4            | 193,323.6 | 45,250.7                | 81.0%        |
| 2040           | 32,521.4          | 6,354.3                     | 19.5%                                      | 3,175.4                        | 248,214.4            | 204,370.6 | 43,843.8                | 82.3%        |
| 2041           | 34,040.1          | 6,651.0                     | 19.5%                                      | 3,325.1                        | 258,286.6            | 216,214.8 | 42,071.8                | 83.7%        |
| 2042           | 35,635.0          | 6,962.7                     | 19.5%                                      | 3,481.9                        | 268,825.8            | 228,935.9 | 39,889.9                | 85.2%        |
| 2043           | 37,308.6          | 7,289.7                     | 19.5%                                      | 3,646.9                        | 279,874.5            | 242,624.5 | 37,250.0                | 86.7%        |
| 2044           | 39,064.0          | 7,632.6                     | 19.5%                                      | 3,820.0                        | 291,494.3            | 257,395.9 | 34,098.4                | 88.3%        |
| 2045           | 40,902.7          | 7,991.9                     | 19.5%                                      | 3,999.4                        | 303,733.3            | 273,359.9 | 30,373.3                | 90.0%        |

#### APPENDIX D

## FUNDING PROJECTIONS FOR THE STATE EMPLOYEES RETIREMENT SYSTEM Projections Based on Laws in Effect on June 30, 2006

(\$ in millions)

| Fiscal<br>Year | Annual<br>Payroll | Total State<br>Contribution | State<br>Contribution as<br>a % of Payroll | Total Employee<br>Contribution | Accrued<br>Liability | Assets   | Unfunded<br>Liabilities | Funded Ratio |
|----------------|-------------------|-----------------------------|--|--------------------------------|----------------------|----------|-------------------------|--------------|
| 2007           | 3,586.2           | 344.2                       | 9.6%                                       | 204.7                          | 22,016.3             | 11,244.7 | 10,771.6                | 51.1%        |
| 2008           | 3,753.6           | 545.5                       | 14.5%                                      | 213.7                          | 23,255.9             | 11,782.3 | 11,473.6                | 50.7%        |
| 2009           | 3,906.0           | 770.2                       | 19.7%                                      | 222.5                          | 24,565.3             | 12,543.7 | 12,021.7                | 51.1%        |
| 2010           | 4,071.9           | 1,010.0                     | 24.8%                                      | 232.1                          | 25,941.1             | 13,555.5 | 12,385.6                | 52.3%        |
| 2011           | 4,239.6           | 1,051.6                     | 24.8%                                      | 241.7                          | 27,375.1             | 14,620.8 | 12,754.2                | 53.4%        |
| 2012           | 4,408.3           | 1,093.4                     | 24.8%                                      | 251.3                          | 28,861.1             | 15,734.4 | 13,126.6                | 54.5%        |
| 2013           | 4,579.0           | 1,135.8                     | 24.8%                                      | 261.0                          | 30,393.0             | 16,891.1 | 13,501.8                | 55.6%        |
| 2014           | 4,752.1           | 1,178.7                     | 24.8%                                      | 270.9                          | 31,965.8             | 18,086.5 | 13,879.3                | 56.6%        |
| 2015           | 4,930.6           | 1,223.0                     | 24.8%                                      | 280.9                          | 33,578.1             | 19,320.5 | 14,257.6                | 57.5%        |
| 2016           | 5,115.6           | 1,268.9                     | 24.8%                                      | 291.4                          | 35,222.0             | 20,587.2 | 14,634.7                | 58.5%        |
| 2017           | 5,305.1           | 1,315.9                     | 24.8%                                      | 302.0                          | 36,894.3             | 21,884.4 | 15,010.0                | 59.3%        |
| 2018           | 5,501.7           | 1,364.6                     | 24.8%                                      | 313.0                          | 38,591.4             | 23,209.8 | 15,381.6                | 60.1%        |
| 2019           | 5,705.5           | 1,415.2                     | 24.8%                                      | 324.5                          | 40,310.0             | 24,562.2 | 15,747.8                | 60.9%        |
| 2020           | 5,918.1           | 1,467.9                     | 24.8%                                      | 336.4                          | 42,046.6             | 25,940.5 | 16,106.1                | 61.7%        |
| 2021           | 6,139.0           | 1,522.7                     | 24.8%                                      | 348.8                          | 43,797.8             | 27,343.9 | 16,453.9                | 62.4%        |
| 2022           | 6,369.4           | 1,579.9                     | 24.8%                                      | 361.7                          | 45,559.4             | 28,771.6 | 16,787.8                | 63.2%        |
| 2023           | 6,609.5           | 1,639.4                     | 24.8%                                      | 375.1                          | 47,331.2             | 30,225.8 | 17,105.4                | 63.9%        |
| 2024           | 6,860.7           | 1,701.7                     | 24.8%                                      | 389.1                          | 49,113.1             | 31,710.2 | 17,403.0                | 64.6%        |
| 2025           | 7,106.4           | 1,762.7                     | 24.8%                                      | 402.8                          | 50,897.5             | 33,218.7 | 17,678.8                | 65.3%        |
| 2026           | 7,359.8           | 1,825.5                     | 24.8%                                      | 416.7                          | 52,690.6             | 34,758.6 | 17,932.0                | 66.0%        |
| 2027           | 7,627.5           | 1,891.9                     | 24.8%                                      | 431.6                          | 54,413.1             | 36,275.6 | 18,137.5                | 66.7%        |
| 2028           | 7,869.7           | 1,952.0                     | 24.8%                                      | 444.0                          | 56,140.0             | 37,816.5 | 18,323.5                | 67.4%        |
| 2029           | 8,160.0           | 2,024.0                     | 24.8%                                      | 460.0                          | 57,883.3             | 39,408.9 | 18,474.3                | 68.1%        |
| 2030           | 8,470.3           | 2,101.0                     | 24.8%                                      | 477.3                          | 59,652.5             | 41,068.9 | 18,583.6                | 68.8%        |
| 2031           | 8,797.9           | 2,182.2                     | 24.8%                                      | 495.8                          | 61,458.6             | 42,812.6 | 18,646.0                | 69.7%        |
| 2032           | 9,143.2           | 2,267.9                     | 24.8%                                      | 515.3                          | 63,312.1             | 44,656.7 | 18,655.4                | 70.5%        |
| 2033           | 9,506.4           | 2,358.0                     | 24.8%                                      | 536.0                          | 65,228.3             | 46,622.4 | 18,605.9                | 71.5%        |
| 2034           | 9,888.4           | 2,452.7                     | 24.8%                                      | 557.8                          | 67,219.8             | 48,729.8 | 18,490.0                | 72.5%        |
| 2035           | 10,288.9          | 2,552.1                     | 24.8%                                      | 580.8                          | 69,299.0             | 50,999.6 | 18,299.4                | 73.6%        |
| 2036           | 10,707.3          | 2,655.8                     | 24.8%                                      | 604.7                          | 71,477.6             | 53,452.4 | 18,025.2                | 74.8%        |
| 2037           | 11,144.7          | 2,764.3                     | 24.8%                                      | 629.8                          | 73,766.7             | 56,109.6 | 17,657.2                | 76.1%        |
| 2038           | 11,600.4          | 2,877.4                     | 24.8%                                      | 655.8                          | 76,175.9             | 58,992.2 | 17,183.7                | 77.4%        |
| 2039           | 12,074.5          | 2,995.0                     | 24.8%                                      | 682.8                          | 78,712.9             | 62,120.7 | 16,592.2                | 78.9%        |
| 2040           | 12,566.4          | 3,117.0                     | 24.8%                                      | 710.8                          | 81,385.9             | 65,517.0 | 15,868.9                | 80.5%        |
| 2041           | 13,076.3          | 3,243.4                     | 24.8%                                      | 739.8                          | 84,201.7             | 69,203.0 | 14,998.7                | 82.2%        |
| 2042           | 13,604.4          | 3,374.4                     | 24.8%                                      | 769.8                          | 87,166.1             | 73,200.9 | 13,965.1                | 84.0%        |
| 2043           | 14,151.5          | 3,510.1                     | 24.8%                                      | 800.8                          | 90,287.1             | 77,536.3 | 12,750.8                | 85.9%        |
| 2044           | 14,718.9          | 3,650.9                     | 24.8%                                      | 832.9                          | 93,570.2             | 82,234.3 | 11,336.0                | 87.9%        |
| 2045           | 15,307.2          | 3,796.8                     | 24.8%                                      | 866.2                          | 97,019.5             | 87,320.2 | 9,699.3                 | 90.0%        |

#### APPENDIX E

# FUNDING PROJECTIONS FOR THE STATE UNIVERSITIES RETIREMENT SYSTEM Projections Based on Laws in Effect on June 30, 2006

(\$ in millions)

| Fiscal<br>Year | Annual<br>Payroll | Total State<br>Contribution | State<br>Contribution as<br>a % of Payroll | Employee<br>Contribution | Accrued<br>Liability | Assets   | Unfunded<br>Liabilities | Funded Ratio |
|----------------|-------------------|-----------------------------|--|--------------------------|----------------------|----------|-------------------------|--------------|
| 2007           | 3,456.9           | 252.1                       | 7.3%                                       | 276.6                    | 22,667.0             | 14,484.7 | 8,182.3                 | 63.9%        |
| 2008           | 3,584.2           | 380.3                       | 10.6%                                      | 286.7                    | 23,626.8             | 14,891.7 | 8,735.1                 | 63.0%        |
| 2009           | 3,716.9           | 512.9                       | 13.8%                                      | 297.3                    | 24,593.3             | 15,384.4 | 9,208.9                 | 62.6%        |
| 2010           | 3,853.8           | 646.3                       | 16.8%                                      | 308.3                    | 25,563.7             | 15,970.6 | 9,593.1                 | 62.5%        |
| 2011           | 3,996.5           | 673.9                       | 16.9%                                      | 319.7                    | 26,526.7             | 16,542.2 | 9,984.5                 | 62.4%        |
| 2012           | 4,146.8           | 702.9                       | 17.0%                                      | 331.7                    | 27,478.4             | 17,096.9 | 10,381.5                | 62.2%        |
| 2013           | 4,304.8           | 733.3                       | 17.0%                                      | 344.4                    | 28,411.3             | 17,629.9 | 10,781.4                | 62.1%        |
| 2014           | 4,471.9           | 765.3                       | 17.1%                                      | 357.7                    | 29,324.4             | 18,140.1 | 11,184.3                | 61.9%        |
| 2015           | 4,648.3           | 799.0                       | 17.2%                                      | 371.9                    | 30,215.5             | 18,626.0 | 11,589.5                | 61.6%        |
| 2016           | 4,834.3           | 834.3                       | 17.3%                                      | 386.7                    | 31,077.3             | 19,084.9 | 11,992.4                | 61.4%        |
| 2017           | 5,030.8           | 871.5                       | 17.3%                                      | 402.5                    | 31,903.4             | 19,514.0 | 12,389.4                | 61.2%        |
| 2018           | 5,239.0           | 910.8                       | 17.4%                                      | 419.1                    | 32,693.9             | 19,913.9 | 12,780.0                | 60.9%        |
| 2019           | 5,460.1           | 952.3                       | 17.4%                                      | 436.8                    | 33,451.9             | 20,287.2 | 13,164.7                | 60.6%        |
| 2020           | 5,694.5           | 996.1                       | 17.5%                                      | 455.6                    | 34,172.7             | 20,634.0 | 13,538.8                | 60.4%        |
| 2021           | 5,942.7           | 1,042.3                     | 17.5%                                      | 475.4                    | 34,861.0             | 20,958.2 | 13,902.8                | 60.1%        |
| 2022           | 6,206.0           | 1,091.0                     | 17.6%                                      | 496.5                    | 35,575.1             | 21,264.1 | 14,311.0                | 59.8%        |
| 2023           | 6,484.3           | 1,142.4                     | 17.6%                                      | 518.7                    | 36,259.4             | 21,614.2 | 14,645.3                | 59.6%        |
| 2024           | 6,779.7           | 1,196.6                     | 17.7%                                      | 542.4                    | 36,920.9             | 21,961.5 | 14,959.4                | 59.5%        |
| 2025           | 7,091.8           | 1,253.8                     | 17.7%                                      | 567.3                    | 37,561.1             | 22,312.0 | 15,249.2                | 59.4%        |
| 2026           | 7,422.3           | 1,314.1                     | 17.7%                                      | 593.8                    | 38,187.7             | 22,674.9 | 15,512.8                | 59.4%        |
| 2027           | 7,771.8           | 1,377.7                     | 17.7%                                      | 621.7                    | 38,802.3             | 23,058.2 | 15,744.1                | 59.4%        |
| 2028           | 8,141.3           | 1,444.8                     | 17.7%                                      | 651.3                    | 39,412.6             | 23,472.2 | 15,940.4                | 59.6%        |
| 2029           | 8,531.3           | 1,515.4                     | 17.8%                                      | 682.5                    | 40,020.7             | 23,926.6 | 16,094.1                | 59.8%        |
| 2030           | 8,942.8           | 1,589.7                     | 17.8%                                      | 715.4                    | 40,632.3             | 24,432.2 | 16,200.1                | 60.1%        |
| 2031           | 9,376.5           | 1,668.0                     | 17.8%                                      | 750.1                    | 41,251.3             | 25,000.0 | 16,251.3                | 60.6%        |
| 2032           | 9,834.6           | 1,750.6                     | 17.8%                                      | 786.8                    | 41,887.2             | 25,645.9 | 16,241.4                | 61.2%        |
| 2033           | 10,317.6          | 1,837.6                     | 17.8%                                      | 825.4                    | 42,544.2             | 26,384.0 | 16,160.2                | 62.0%        |
| 2034           | 10,827.1          | 1,929.3                     | 17.8%                                      | 866.2                    | 43,232.1             | 27,232.7 | 15,999.4                | 63.0%        |
| 2035           | 11,363.7          | 2,025.7                     | 17.8%                                      | 909.1                    | 43,962.0             | 28,211.1 | 15,750.9                | 64.2%        |
| 2036           | 11,929.9          | 2,127.4                     | 17.8%                                      | 954.4                    | 44,744.3             | 29,340.2 | 15,404.1                | 65.6%        |
| 2037           | 12,525.4          | 2,234.2                     | 17.8%                                      | 1,002.0                  | 45,590.9             | 30,641.6 | 14,949.3                | 67.2%        |
| 2038           | 13,151.0          | 2,346.3                     | 17.8%                                      | 1,052.1                  | 46,509.6             | 32,137.2 | 14,372.3                | 69.1%        |
| 2039           | 13,808.4          | 2,464.1                     | 17.8%                                      | 1,104.7                  | 47,512.5             | 33,851.6 | 13,660.9                | 71.2%        |
| 2040           | 14,498.9          | 2,587.8                     | 17.8%                                      | 1,159.9                  | 48,606.1             | 35,808.4 | 12,797.7                | 73.7%        |
| 2041           | 15,224.6          | 2,717.7                     | 17.9%                                      | 1,218.0                  | 49,801.4             | 38,034.9 | 11,766.5                | 76.4%        |
| 2042           | 15,987.4          | 2,854.2                     | 17.9%                                      | 1,279.0                  | 51,114.5             | 40,562.1 | 10,552.4                | 79.4%        |
| 2043           | 16,788.4          | 2,997.4                     | 17.9%                                      | 1,343.1                  | 52,552.6             | 43,419.5 | 9,133.1                 | 82.6%        |
| 2044           | 17,629.7          | 3,147.9                     | 17.9%                                      | 1,410.4                  | 54,125.3             | 46,639.1 | 7,486.1                 | 86.2%        |
| 2045           | 18,512.9          | 3,305.8                     | 17.9%                                      | 1,481.0                  | 55,839.3             | 50,254.0 | 5,585.4                 | 90.0%        |

#### APPENDIX F

| FUNDING PROJECTIONS FOR THE JUDGES RETIREMENT SYSTEM |  |
|--|--|
| Projections Based on Laws in Effect on June 30, 2006 |  |

(\$ in millions)

| Fiscal<br>Year | Annual<br>Payroll | Total State<br>Contribution | State<br>Contribution as<br>a % of Payroll | Total Employee<br>Contribution | Accrued Liability | Assets  | Unfunded<br>Liabilities | Funded Ratio |
|----------------|-------------------|-----------------------------|--|--------------------------------|-------------------|---------|-------------------------|--------------|
| 2007           | 137.4             | 35.2                        | 25.6%                                      | 13.6                           | 1,354.3           | 620.3   | 734.0                   | 45.8%        |
| 2008           | 143.7             | 46.9                        | 32.6%                                      | 14.2                           | 1,420.0           | 649.3   | 770.6                   | 45.7%        |
| 2009           | 149.8             | 59.9                        | 40.0%                                      | 14.8                           | 1,488.4           | 689.2   | 799.2                   | 46.3%        |
| 2010           | 155.9             | 73.9                        | 47.4%                                      | 15.4                           | 1,559.4           | 741.5   | 817.9                   | 47.6%        |
| 2011           | 161.6             | 76.6                        | 47.4%                                      | 16.0                           | 1,633.7           | 796.0   | 837.7                   | 48.7%        |
| 2012           | 167.2             | 79.3                        | 47.4%                                      | 16.5                           | 1,710.3           | 851.1   | 859.1                   | 49.8%        |
| 2013           | 173.9             | 82.5                        | 47.4%                                      | 17.2                           | 1,789.8           | 907.6   | 882.1                   | 50.7%        |
| 2014           | 180.9             | 85.8                        | 47.4%                                      | 17.9                           | 1,871.5           | 966.7   | 904.8                   | 51.7%        |
| 2015           | 188.1             | 89.2                        | 47.4%                                      | 18.6                           | 1,956.4           | 1,028.7 | 927.6                   | 52.6%        |
| 2016           | 195.6             | 92.8                        | 47.4%                                      | 19.3                           | 2,043.6           | 1,093.5 | 950.1                   | 53.5%        |
| 2017           | 203.5             | 96.5                        | 47.4%                                      | 20.1                           | 2,133.8           | 1,161.3 | 972.5                   | 54.4%        |
| 2018           | 211.6             | 100.3                       | 47.4%                                      | 20.9                           | 2,227.0           | 1,232.3 | 994.7                   | 55.3%        |
| 2019           | 220.1             | 104.3                       | 47.4%                                      | 21.7                           | 2,323.4           | 1,306.7 | 1,016.7                 | 56.2%        |
| 2020           | 228.9             | 108.5                       | 47.4%                                      | 22.6                           | 2,423.2           | 1,384.7 | 1,038.5                 | 57.1%        |
| 2021           | 238.0             | 112.8                       | 47.4%                                      | 23.5                           | 2,526.4           | 1,466.5 | 1,059.9                 | 58.0%        |
| 2022           | 247.5             | 117.4                       | 47.4%                                      | 24.4                           | 2,632.8           | 1,552.0 | 1,080.8                 | 58.9%        |
| 2023           | 257.4             | 122.1                       | 47.4%                                      | 25.4                           | 2,742.8           | 1,641.5 | 1,101.2                 | 59.9%        |
| 2024           | 267.7             | 126.9                       | 47.4%                                      | 26.4                           | 2,856.3           | 1,735.3 | 1,121.0                 | 60.8%        |
| 2025           | 278.4             | 132.0                       | 47.4%                                      | 27.5                           | 2,973.5           | 1,833.5 | 1,140.0                 | 61.7%        |
| 2026           | 289.6             | 137.3                       | 47.4%                                      | 28.6                           | 3,094.2           | 1,936.2 | 1,158.0                 | 62.6%        |
| 2027           | 301.2             | 142.8                       | 47.4%                                      | 29.7                           | 3,218.6           | 2,043.7 | 1,174.9                 | 63.5%        |
| 2028           | 313.2             | 148.5                       | 47.4%                                      | 30.9                           | 3,346.7           | 2,156.2 | 1,190.4                 | 64.4%        |
| 2029           | 325.7             | 154.4                       | 47.4%                                      | 32.2                           | 3,478.7           | 2,278.5 | 1,200.2                 | 65.5%        |
| 2030           | 338.8             | 160.6                       | 47.4%                                      | 33.5                           | 3,615.0           | 2,408.7 | 1,206.2                 | 66.6%        |
| 2031           | 352.3             | 167.0                       | 47.4%                                      | 34.8                           | 3,755.6           | 2,546.3 | 1,209.3                 | 67.8%        |
| 2032           | 366.4             | 173.7                       | 47.4%                                      | 36.2                           | 3,900.6           | 2,691.7 | 1,208.9                 | 69.0%        |
| 2033           | 381.1             | 180.7                       | 47.4%                                      | 37.6                           | 4,050.7           | 2,845.9 | 1,204.8                 | 70.3%        |
| 2034           | 396.3             | 187.9                       | 47.4%                                      | 39.1                           | 4,206.0           | 3,009.6 | 1,196.4                 | 71.6%        |
| 2035           | 412.2             | 195.4                       | 47.4%                                      | 40.7                           | 4,367.0           | 3,183.8 | 1,183.3                 | 72.9%        |
| 2036           | 428.7             | 203.2                       | 47.4%                                      | 42.3                           | 4,534.1           | 3,369.3 | 1,164.8                 | 74.3%        |
| 2037           | 445.8             | 211.4                       | 47.4%                                      | 44.0                           | 4,707.6           | 3,567.2 | 1,140.4                 | 75.8%        |
| 2038           | 463.6             | 219.8                       | 47.4%                                      | 45.8                           | 4,888.1           | 3,778.8 | 1,109.4                 | 77.3%        |
| 2039           | 482.2             | 228.6                       | 47.4%                                      | 47.6                           | 5,076.3           | 4,005.2 | 1,071.1                 | 78.9%        |
| 2040           | 501.5             | 237.8                       | 47.4%                                      | 49.5                           | 5,272.6           | 4,247.8 | 1,024.8                 | 80.6%        |
| 2041           | 521.5             | 247.3                       | 47.4%                                      | 51.5                           | 5,477.7           | 4,508.1 | 969.6                   | 82.3%        |
| 2042           | 542.4             | 257.2                       | 47.4%                                      | 53.6                           | 5,692.0           | 4,787.5 | 904.5                   | 84.1%        |
| 2043           | 564.1             | 267.4                       | 47.4%                                      | 55.7                           | 5,916.2           | 5,087.6 | 828.6                   | 86.0%        |
| 2044           | 586.6             | 278.1                       | 47.4%                                      | 57.9                           | 6,151.1           | 5,410.4 | 740.7                   | 88.0%        |
| 2045           | 610.1             | 289.3                       | 47.4%                                      | 60.3                           | 6,397.2           | 5,757.5 | 639.7                   | 90.0%        |

#### APPENDIX G

# FUNDING PROJECTIONS FOR THE GENERAL ASSEMBLY RETIREMENT SYSTEM Projections Based on Laws in Effect on June 30, 2006

(\$ in millions)

| Fiscal<br>Year | Annual<br>Payroll | Total State<br>Contribution | State<br>Contribution as<br>a % of Payroll | Total Employee<br>Contribution | Accrued<br>Liability | Assets | Unfunded<br>Liabilities | Funded Ratio |
|----------------|-------------------|-----------------------------|--|--------------------------------|----------------------|--------|-------------------------|--------------|
| 2007           | 12.4              | 5.2                         | 42.1%                                      | 1.4                            | 224.9                | 79.5   | 145.4                   | 35.4%        |
| 2008           | 12.9              | 6.8                         | 52.9%                                      | 1.5                            | 228.2                | 77.6   | 150.6                   | 34.0%        |
| 2009           | 13.3              | 8.6                         | 64.3%                                      | 1.5                            | 231.5                | 76.9   | 154.6                   | 33.2%        |
| 2010           | 13.8              | 10.4                        | 75.7%                                      | 1.6                            | 234.9                | 77.5   | 157.4                   | 33.0%        |
| 2011           | 14.2              | 10.8                        | 75.7%                                      | 1.6                            | 238.3                | 78.0   | 160.3                   | 32.7%        |
| 2012           | 14.7              | 11.1                        | 75.7%                                      | 1.7                            | 241.7                | 78.5   | 163.2                   | 32.5%        |
| 2013           | 15.3              | 11.6                        | 75.7%                                      | 1.8                            | 245.2                | 79.3   | 166.0                   | 32.3%        |
| 2014           | 15.8              | 11.9                        | 75.7%                                      | 1.8                            | 248.9                | 80.1   | 168.8                   | 32.2%        |
| 2015           | 16.3              | 12.4                        | 75.7%                                      | 1.9                            | 252.8                | 81.0   | 171.7                   | 32.1%        |
| 2016           | 16.9              | 12.8                        | 75.7%                                      | 1.9                            | 256.7                | 82.2   | 174.5                   | 32.0%        |
| 2017           | 17.5              | 13.3                        | 75.7%                                      | 2.0                            | 260.8                | 83.5   | 177.3                   | 32.0%        |
| 2018           | 18.2              | 13.8                        | 75.7%                                      | 2.1                            | 265.0                | 85.1   | 180.0                   | 32.1%        |
| 2019           | 18.9              | 14.3                        | 75.7%                                      | 2.2                            | 269.5                | 86.9   | 182.5                   | 32.3%        |
| 2020           | 19.6              | 14.9                        | 75.7%                                      | 2.3                            | 274.1                | 89.2   | 184.8                   | 32.6%        |
| 2021           | 20.3              | 15.3                        | 75.7%                                      | 2.3                            | 278.8                | 91.9   | 187.0                   | 32.9%        |
| 2022           | 21.0              | 15.9                        | 75.7%                                      | 2.4                            | 283.6                | 94.8   | 188.8                   | 33.4%        |
| 2023           | 21.7              | 16.4                        | 75.7%                                      | 2.5                            | 288.3                | 97.9   | 190.4                   | 34.0%        |
| 2024           | 22.5              | 17.1                        | 75.7%                                      | 2.6                            | 293.1                | 101.5  | 191.6                   | 34.6%        |
| 2025           | 23.2              | 17.5                        | 75.7%                                      | 2.7                            | 297.8                | 105.3  | 192.6                   | 35.3%        |
| 2026           | 24.1              | 18.2                        | 75.7%                                      | 2.8                            | 302.6                | 109.6  | 193.0                   | 36.2%        |
| 2027           | 25.0              | 18.9                        | 75.7%                                      | 2.9                            | 307.6                | 114.5  | 193.1                   | 37.2%        |
| 2028           | 26.0              | 19.7                        | 75.7%                                      | 3.0                            | 312.9                | 120.2  | 192.7                   | 38.4%        |
| 2029           | 27.0              | 20.5                        | 75.7%                                      | 3.1                            | 318.4                | 126.8  | 191.6                   | 39.8%        |
| 2030           | 28.1              | 21.3                        | 75.7%                                      | 3.2                            | 324.4                | 134.5  | 189.9                   | 41.5%        |
| 2031           | 29.0              | 22.0                        | 75.7%                                      | 3.3                            | 330.6                | 142.9  | 187.7                   | 43.2%        |
| 2032           | 30.2              | 22.9                        | 75.7%                                      | 3.5                            | 337.2                | 152.6  | 184.6                   | 45.3%        |
| 2033           | 31.4              | 23.8                        | 75.7%                                      | 3.6                            | 344.3                | 163.5  | 180.8                   | 47.5%        |
| 2034           | 32.7              | 24.8                        | 75.7%                                      | 3.8                            | 351.9                | 175.8  | 176.1                   | 50.0%        |
| 2035           | 34.0              | 25.8                        | 75.7%                                      | 3.9                            | 360.2                | 189.8  | 170.4                   | 52.7%        |
| 2036           | 35.3              | 26.7                        | 75.7%                                      | 4.1                            | 369.1                | 205.3  | 163.8                   | 55.6%        |
| 2037           | 36.6              | 27.7                        | 75.7%                                      | 4.2                            | 378.5                | 222.3  | 156.2                   | 58.7%        |
| 2038           | 38.2              | 28.9                        | 75.7%                                      | 4.4                            | 388.7                | 241.3  | 147.4                   | 62.1%        |
| 2039           | 39.7              | 30.0                        | 75.7%                                      | 4.6                            | 400.0                | 262.2  | 137.8                   | 65.6%        |
| 2040           | 41.3              | 31.2                        | 75.7%                                      | 4.7                            | 411.3                | 285.2  | 126.1                   | 69.3%        |
| 2041           | 42.9              | 32.5                        | 75.7%                                      | 4.9                            | 423.8                | 310.4  | 113.4                   | 73.2%        |
| 2042           | 44.5              | 33.7                        | 75.7%                                      | 5.1                            | 437.2                | 337.8  | 99.4                    | 77.3%        |
| 2043           | 46.3              | 35.1                        | 75.7%                                      | 5.3                            | 451.4                | 367.5  | 83.9                    | 81.4%        |
| 2044           | 48.1              | 36.5                        | 75.7%                                      | 5.5                            | 466.5                | 399.6  | 66.9                    | 85.7%        |
| 2045           | 50.0              | 37.9                        | 75.7%                                      | 5.8                            | 482.5                | 434.2  | 48.3                    | 90.0%        |

| PENSION OBLIGATION BONDS<br>Debt Service Schedule<br>( \$ in Millions) |            |  |            |  |            |  |  |  |
|--|------------|--|------------|--|------------|--|--|--|
|  | Total Debt |  |            |  |            |  |  |  |
| FY   | Principle  |  | Interest   |  | Service    |  |  |  |
| 2004   | \$0.0      |  | \$481.1    |  | \$481.1    |  |  |  |
| 2005   | \$0.0      |  | \$496.2    |  | \$496.2    |  |  |  |
| 2006   | \$0.0      |  | \$496.2    |  | \$496.2    |  |  |  |
| 2007   | \$0.0      |  | \$496.2    |  | \$496.2    |  |  |  |
| 2008   | \$50.0     |  | \$496.2    |  | \$546.2    |  |  |  |
| 2009   | \$50.0     |  | \$495.0    |  | \$545.0    |  |  |  |
| 2010   | \$50.0     |  | \$493.6    |  | \$543.6    |  |  |  |
| 2011   | \$50.0     |  | \$491.9    |  | \$541.9    |  |  |  |
| 2012   | \$100.0    |  | \$490.1    |  | \$590.1    |  |  |  |
| 2013   | \$100.0    |  | \$486.4    |  | \$586.4    |  |  |  |
| 2014   | \$100.0    |  | \$482.5    |  | \$582.5    |  |  |  |
| 2015   | \$100.0    |  | \$478.6    |  | \$578.6    |  |  |  |
| 2016   | \$100.0    |  | \$474.5    |  | \$574.5    |  |  |  |
| 2017   | \$125.0    |  | \$470.2    |  | \$595.2    |  |  |  |
| 2018   | \$150.0    |  | \$464.7    |  | \$614.7    |  |  |  |
| 2019   | \$175.0    |  | \$458.2    |  | \$633.2    |  |  |  |
| 2020   | \$225.0    |  | \$449.6    |  | \$674.6    |  |  |  |
| 2021   | \$275.0    |  | \$438.4    |  | \$713.4    |  |  |  |
| 2022   | \$325.0    |  | \$424.8    |  | \$749.8    |  |  |  |
| 2023   | \$375.0    |  | \$408.7    |  | \$783.7    |  |  |  |
| 2024   | \$450.0    |  | \$390.2    |  | \$840.2    |  |  |  |
| 2025   | \$525.0    |  | \$367.2    |  | \$892.2    |  |  |  |
| 2026   | \$575.0    |  | \$340.4    |  | \$915.4    |  |  |  |
| 2027   | \$625.0    |  | \$311.1    |  | \$936.1    |  |  |  |
| 2028   | \$700.0    |  | \$279.2    |  | \$979.2    |  |  |  |
| 2029   | \$775.0    |  | \$243.5    |  | \$1,018.5  |  |  |  |
| 2030   | \$875.0    |  | \$204.0    |  | \$1,079.0  |  |  |  |
| 2031   | \$975.0    |  | \$159.4    |  | \$1,134.4  |  |  |  |
| 2032   | \$1,050.0  |  | \$109.7    |  | \$1,159.7  |  |  |  |
| 2033   | \$1,100.0  |  | \$56.1     |  | \$1,156.1  |  |  |  |
| TOTALS   | \$10,000.0 |  | \$11,933.9 |  | \$21,933.9 |  |  |  |

#### APPENDIX H

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## BACKGROUND

The Commission on Government Forecasting and Accountability (CGFA), a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

- 1) Preparation of annual revenue estimates with periodic updates;
- 2) Analysis of the fiscal impact of revenue bills;
- 3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;
- 4) Periodic assessment of capital facility plans;
- 5) Annual estimates of public pension funding requirements and preparation of pension impact notes;
- 6) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services;
- 7) Administration of the State Facility Closure Act.

The Commission also has a mandate to report to the General Assembly "... on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois...." This results in several reports on various economic issues throughout the year.

The Commission publishes several reports each year. In addition to a Monthly Briefing, the Commission publishes the "Revenue Estimate and Economic Outlook" which describes and projects economic conditions and their impact on State revenues. The "Illinois Bond Watcher" report examines the State's debt position as well as other issues directly related to conditions in the financial markets. The "Financial Conditions of the Illinois Public Retirement Systems" provides an overview of the funding condition of the State's retirement systems. Also published are an Annual Fiscal Year Budget Summary; Report on the Liabilities of the State Employees' Group Insurance Program; and Report of the Cost and Savings of the State Employees' Early Retirement Incentive Program. The Commission also publishes each year special topic reports that have or could have an impact on the economic well being of Illinois. All reports are available on the Commission's website.

These reports are available from:

Commission on Government Forecasting and Accountability 703 Stratton Office Building Springfield, Illinois 62706 (217) 782-5320 (217) 782-3513 (FAX)