

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

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Commission on Government Forecasting and Accountability

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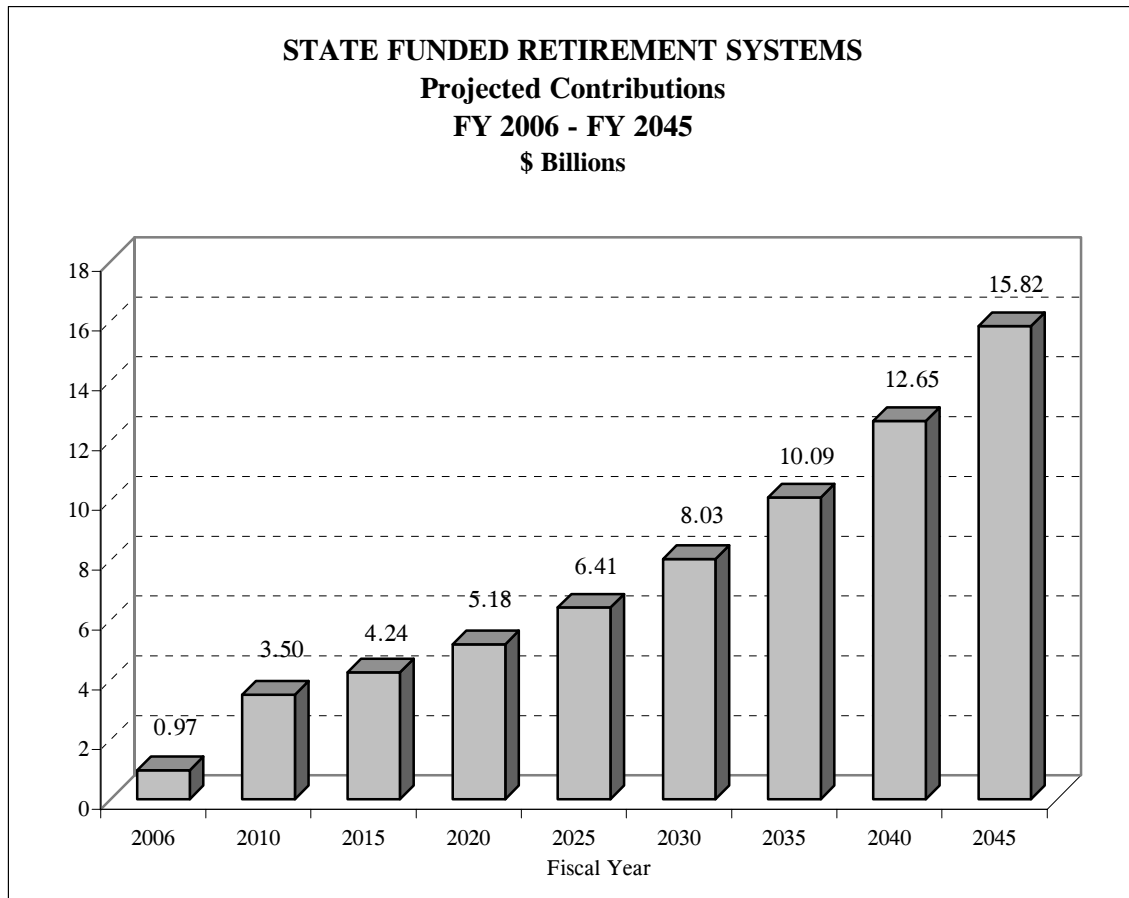
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Executive Summary

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

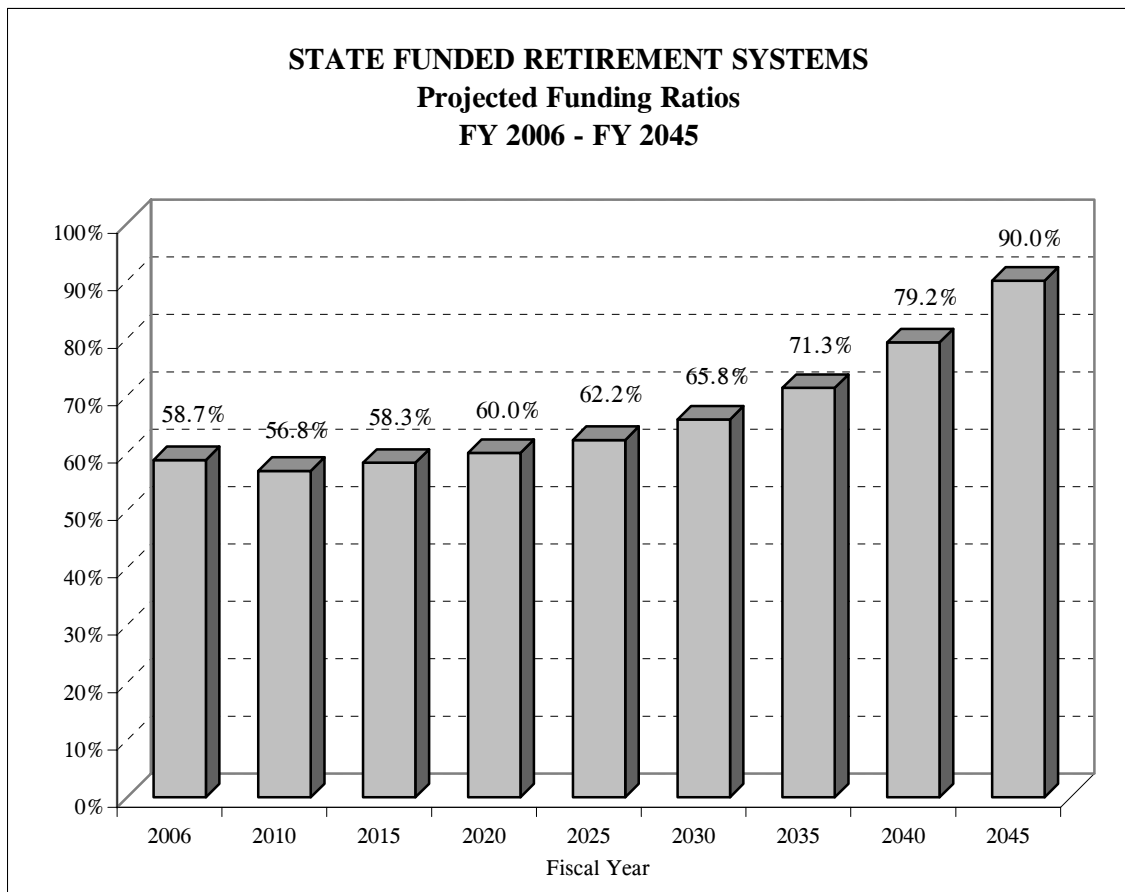
- Public Act 88-0593 requires the State to make contributions to the State retirement systems such that the total assets of the systems will equal 90% of their total actuarial liabilities by Fiscal Year 2045. The contributions are required to be made at a level percent of payroll in Fiscal Years 2011 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.
- P.A. 94-0004 (SB 27) contained several reforms that are expected to reduce the rate of growth of the accrued liabilities of the five State funded retirement systems. These changes included the elimination of the Money Purchase Option in both the State Universities' Retirement System (SURS) and the Teachers' Retirement System (TRS), the shifting of costs to school districts for certain end of career salary increases granted to teachers, and modification of the Early Retirement Option in TRS. The Act also contained funding reductions of approximately \$2.3 billion in FY 2006 and FY 2007 which will have the effect of offsetting contribution savings resulting from the aforementioned benefit changes.
- This report covers the period from FY 1997 through FY 2005. 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 almost \$18.6 billion. The main factors in increasing the unfunded liabilities were actuarially insufficient employer contributions, lower-than-assumed investment returns, 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 60.2% at the end of FY 2005.
- 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.

CHART i



- If the State continues funding according to current law, the accrued liabilities of the State retirement systems will increase from approximately \$102.4 billion at the end of FY 2006 to an estimated \$446.1 billion at the end of FY 2045. At the same time, assets are projected to increase from \$60.1 billion to \$401.4 billion. Consequently, the unfunded liabilities are projected to increase from \$42.2 billion at the end of FY 2006 to \$44.6 billion at the end of FY 2045, and the funded ratio is expected to decrease slightly from 58.7% in FY 2006, and then increase to 90.0% by the end of FY 2045.

CHART ii



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 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 estimated 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) Employee contributions. A percent of salary determined by statute that is automatically deducted from an employee's paycheck.
- 2) Employer contributions. The amount that is actually contributed by the employer. The Illinois Pension Code sets specific requirements for employers' contributions based upon actuarial forecasts.
- 3) Returns on investments. 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

As of July 1, 2005, 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. SURS members who participate in the Self-Managed Plan (defined contribution plan) also contribute 8.0% of salary.

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 at 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 2006 actuarial reports will be released in November 2006, and will contain the actuarially certified contributions for FY 2008.

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 will not be 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. In addition, \$7.3 billion of the \$10 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.

TABLE 1

Public Act 88-0593 Contributions vs. Public Act 94-0004 Contributions (in Millions \$)						
System	FY 2006			FY 2007		
	State Contributions	PA 94-0004	Difference	State Contributions	PA 94-0004	Difference
TRS	\$1,058.5	\$534.6	\$523.9	\$1,233.1	\$738.0	\$495.1
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	\$1,374.7	\$1,133.1

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. Details of the differences in annual State contributions before and after Public Act 94-0004 are displayed in the following chart, together with the total annual debt service costs associated with the pension obligation bonds. Additional details of these debt service payments are shown in Appendix H.

TABLE 2

STATE-FUNDED RETIREMENT SYSTEMS, COMBINED Original and Current Projected Contributions, Funded Ratios and Debt Service (\$ in Millions)						
	1994 Projection P.A. 88-0593		2005 Projection P.A. 88-0593		P.O.B. Annual	Annual Totals
FY	Contribution	Funded Ratio	Contribution	Funded Ratio	Total Debt Service	Contribution Plus Debt Service
1996	\$607.2	52.3%	\$609.1	54.9%	\$0.0	\$609.1
1997	\$718.7	52.6%	\$712.2	70.1%	\$0.0	\$712.2
1998	\$839.6	52.0%	\$881.5	72.2%	\$0.0	\$881.5
1999	\$970.4	51.6%	\$1,122.6	73.0%	\$0.0	\$1,122.6
2000	\$1,109.4	51.4%	\$1,224.7	74.7%	\$0.0	\$1,224.7
2001	\$1,256.8	51.0%	\$1,346.6	63.1%	\$0.0	\$1,346.6
2002	\$1,419.3	51.5%	\$1,469.3	53.5%	\$0.0	\$1,469.3
2003	\$1,591.7	51.7%	\$1,628.3	48.6%	\$0.0	\$1,628.3
2004	\$1,776.5	52.1%	\$9,178.5	60.9%	\$481.0	\$9,659.6
2005	\$1,967.6	52.5%	\$1,638.0	60.3%	\$496.2	\$2,134.2
2006	\$2,172.3	52.9%	\$935.6	58.8%	\$496.2	\$1,431.8
2007	\$2,390.3	53.4%	\$1,372.2	57.7%	\$496.2	\$1,868.4
2008	\$2,623.8	54.0%	\$1,981.3	57.2%	\$546.2	\$2,527.5
2009	\$2,871.4	54.7%	\$2,662.0	57.2%	\$545.0	\$3,207.0
2010	\$3,140.4	55.4%	\$3,401.2	57.7%	\$543.6	\$3,944.8
2011	\$3,271.7	56.2%	\$3,641.3	58.2%	\$541.9	\$4,183.2
2012	\$3,411.1	56.9%	\$3,774.3	58.7%	\$590.1	\$4,364.4
2013	\$3,536.7	57.6%	\$3,938.6	59.1%	\$586.4	\$4,525.0
2014	\$3,709.1	58.3%	\$4,097.5	59.5%	\$582.5	\$4,680.0
2015	\$3,881.6	59.0%	\$4,262.0	59.9%	\$578.6	\$4,840.6
2016	\$4,062.9	59.7%	\$4,435.4	60.3%	\$574.5	\$5,009.9
2017	\$4,253.1	60.4%	\$4,617.1	60.6%	\$595.2	\$5,212.3
2018	\$4,452.8	61.1%	\$4,808.7	61.0%	\$614.8	\$5,423.5
2019	\$4,662.7	61.9%	\$5,010.6	61.3%	\$633.2	\$5,643.8
2020	\$4,898.2	62.5%	\$5,223.7	61.7%	\$674.6	\$5,898.3
2021	\$5,146.2	63.0%	\$5,448.1	62.1%	\$713.4	\$6,161.5
2022	\$5,407.2	63.5%	\$5,683.9	62.5%	\$749.8	\$6,433.7
2023	\$5,681.8	64.0%	\$5,932.2	62.9%	\$783.7	\$6,715.9
2024	\$5,969.2	64.6%	\$6,193.9	63.4%	\$840.2	\$7,034.1
2025	\$6,271.3	65.2%	\$6,464.7	63.9%	\$892.2	\$7,356.9

TABLE 2 (Continued)

STATE-FUNDED RETIREMENT SYSTEMS, COMBINED Original and Current Projected Contributions, Funded Ratios and Debt Service (\$ in Millions)						
	1994 Projection P.A. 88-0593		2005 Projection P.A. 88-0593		P.O.B. Annual	Annual Totals
FY	Contribution	Funded Ratio	Contribution	Funded Ratio	Total Debt Service	Contribution Plus Debt Service
2026	\$6,568.1	65.8%	\$6,747.8	64.5%	\$915.4	\$7,663.2
2027	\$6,920.2	66.5%	\$7,040.5	65.1%	\$936.1	\$7,976.6
2028	\$7,269.1	67.2%	\$7,351.4	65.7%	\$979.2	\$8,330.6
2029	\$7,635.7	68.0%	\$7,676.9	66.5%	\$1,018.5	\$8,695.4
2030	\$8,020.8	68.8%	\$8,018.8	67.3%	\$1,079.0	\$9,097.8
2031	\$8,425.1	69.7%	\$8,377.0	68.1%	\$1,134.4	\$9,511.4
2032	\$8,849.2	70.7%	\$8,752.2	69.1%	\$1,159.7	\$9,911.9
2033	\$9,294.9	71.5%	\$9,145.3	70.1%	\$1,156.1	\$10,301.4
2034	\$9,763.6	72.6%	\$9,558.3	71.2%	\$0.0	\$9,558.3
2035	\$10,255.5	73.7%	\$9,989.9	72.4%	\$0.0	\$9,989.9
2036	\$10,772.0	74.8%	\$10,442.1	73.7%	\$0.0	\$10,442.1
2037	\$11,314.2	76.0%	\$10,916.1	75.1%	\$0.0	\$10,916.1
2038	\$11,884.7	77.3%	\$11,414.9	76.6%	\$0.0	\$11,414.9
2039	\$12,485.1	78.6%	\$11,937.4	78.2%	\$0.0	\$11,937.4
2040	\$13,115.8	80.0%	\$12,485.7	79.9%	\$0.0	\$12,485.7
2041	\$13,778.9	81.5%	\$13,058.9	81.7%	\$0.0	\$13,058.9
2042	\$14,475.3	83.1%	\$13,659.9	83.6%	\$0.0	\$13,659.9
2043	\$15,208.2	84.8%	\$14,289.7	85.6%	\$0.0	\$14,289.7
2044	\$15,978.3	86.6%	\$14,947.9	87.7%	\$0.0	\$14,947.9
2045	\$16,786.6	90.0%	\$15,636.4	90.0%	\$0.0	\$15,636.4
Total	\$312,872.4		\$315,142.3		\$21,933.9	\$337,076.3

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 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) **Salary Increases**. The actuary assumes 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) **Investment Returns**. Based on historical averages, the actuary assumes an annual rate of return on invested assets. Since assets were valued at cost, investments that were held for a period of time and sold provided gains or losses. Now capital gains or losses are realized annually, without regard to whether an asset is sold or not. If actual returns are greater than the assumed rate, this decreases the unfunded liabilities. If actual yields are less than assumed, the unfunded liabilities will increase.
- 3) **Employer Contributions**. Actuaries assume the employer will make contributions sufficient to meet a system's needs. 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 incurred, or outstanding, by 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. If contributions are equal to or greater than required by this method, the system's unfunded liabilities either remain constant or diminish.

- 4) **Benefit Increases.** 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) **Change in Assumptions.** 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 causing a change.

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 1997 to FY 2005.

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 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, 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, 2005. This report covers the period from FY 1997 to FY 2005. 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 \$19.2 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 almost \$10.8 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.

TABLE 3

Summary of Contributions State Retirement Systems 1997 – FY 2005 (\$ in Millions)						
<u>FY</u>	<u>TRS</u>	<u>SURS</u>	<u>SERS</u>	<u>JRS</u>	<u>GARS</u>	<u>Total</u>
1997	\$385.2	\$159.5	\$158.2	\$13.7	\$2.8	\$719.4
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
TOTAL	\$10,776.6	\$3,559.7	\$4,455.6	\$363.2	\$65.4	\$19,220.5

**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 \$38 billion at the end of FY 2005, led by the Teachers' Retirement System (TRS) whose unfunded liabilities amounted to \$22.0 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.

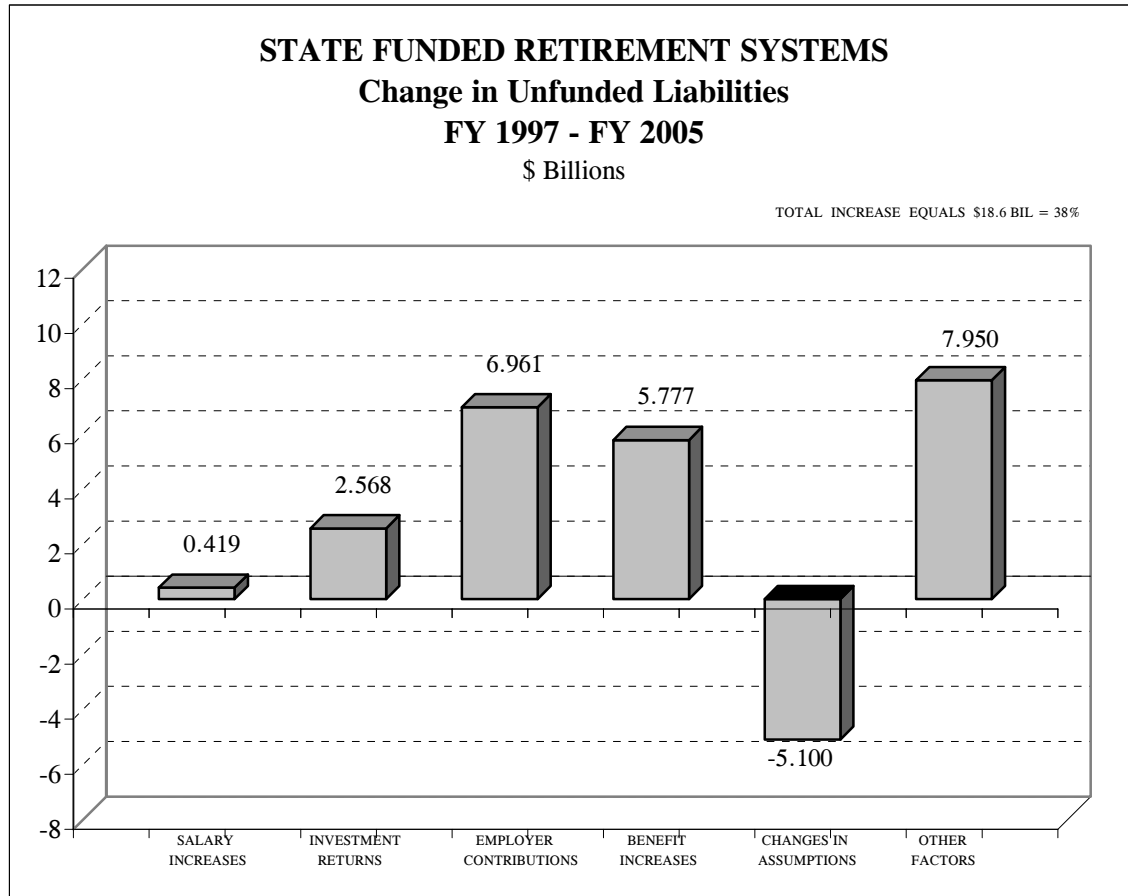
TABLE 4

Summary of Financial Condition State Retirement Systems FY 2005 (\$ in Millions)				
<u>System</u>	<u>Accrued Liability</u>	<u>Net Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>
Teachers'	\$56,075.0	\$34,085.2	\$21,989.8	60.8 %
State Universities'	20,349.9	13,350.2	6,999.6	65.6 %
State Employees'	19,304.6	10,494.1	8,810.5	54.4 %
Judges'	1,236.5	565.0	671.5	45.7 %
General Assembly	212.6	83.3	129.6	39.1 %
TOTAL	\$97,179.0	\$58,577.8	\$38,601.1	60.3 %

The funded ratios for each of the five State retirement systems may be compared to the aggregate funded ratio of 60.3% 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 1997 and FY 2005.

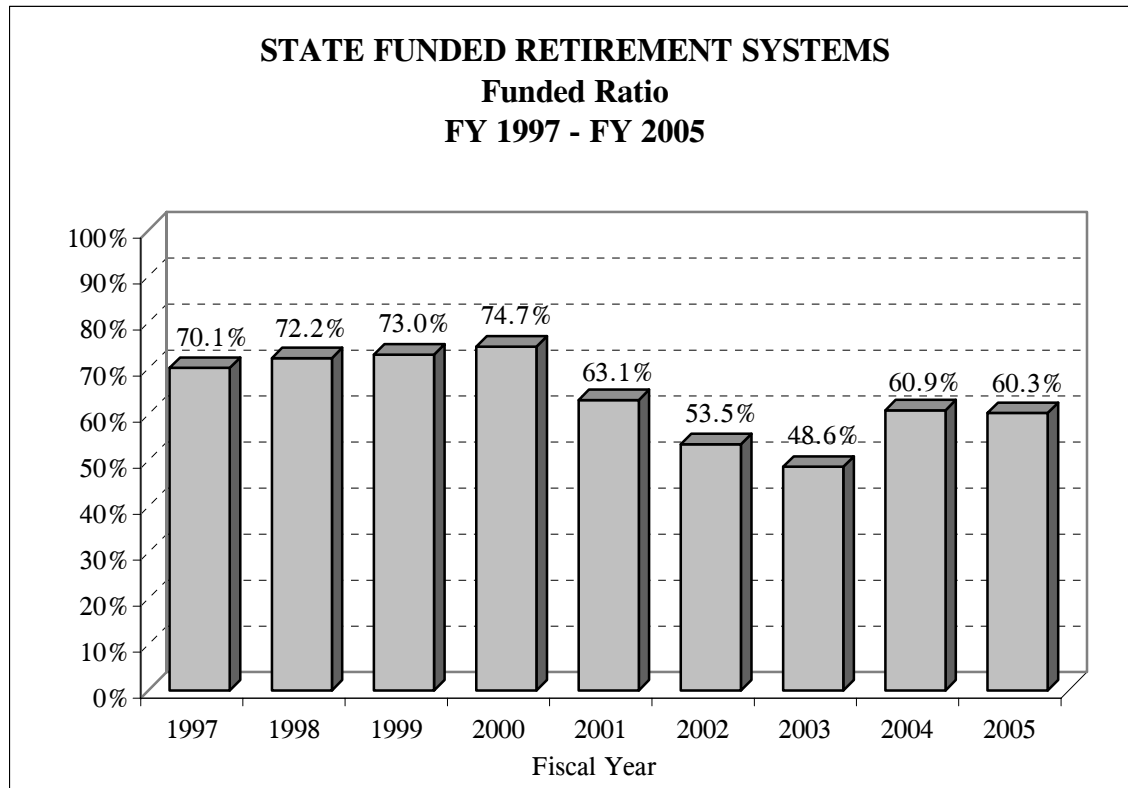
CHART 1



At the beginning of FY 1997, the systems' total unfunded liabilities were approximately \$20.3 billion. At the end of FY 2005, these liabilities stood at about \$38.9 billion, or 93% above the FY 1997 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), miscellaneous factors, lower-than-assumed investment returns, and to a lesser extent, underestimation of salary increases. Partially offsetting this increase was the systems' transition to the valuation of assets at market value (included in the changes in assumptions) at the end of FY 1997. More detail on the annual changes in the unfunded liabilities of the State systems shown in Chart 1 is presented 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

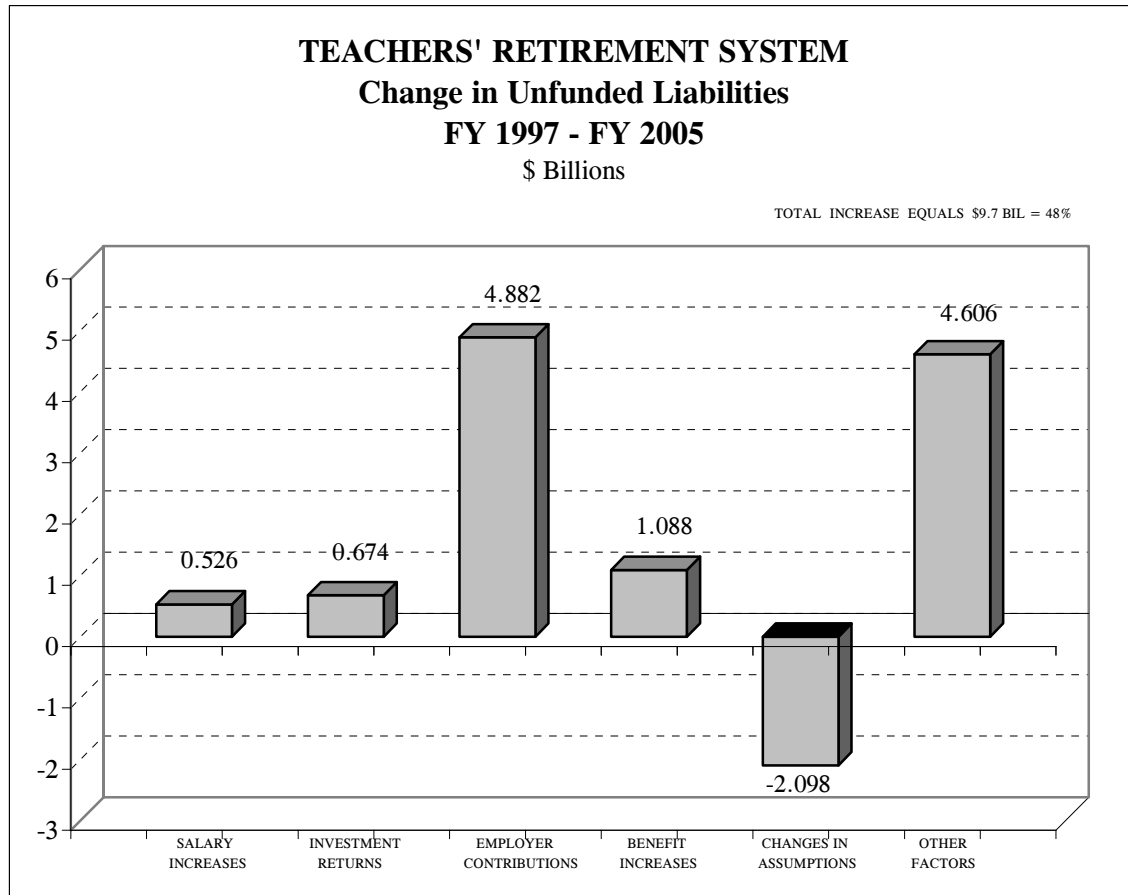


The funded ratio at any single point in time is less important than the trend over time. The funded ratio increased significantly in FY 1997 (to 70.1%), due to the valuation of assets at market value, investment returns that were more than \$1.7 billion larger than previously assumed, and changes in actuarial assumptions. The changes in actuarial assumptions included increasing the investment interest rate assumptions and decreasing the annual salary increase assumptions of the three largest State systems. The funded ratio grew steadily from FY 1997 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 FY2002, the funded ratio fell to the lowest level since FY 1997, 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 declined slightly in FY 2005 due to insufficient employer contributions.

TEACHERS' RETIREMENT SYSTEM

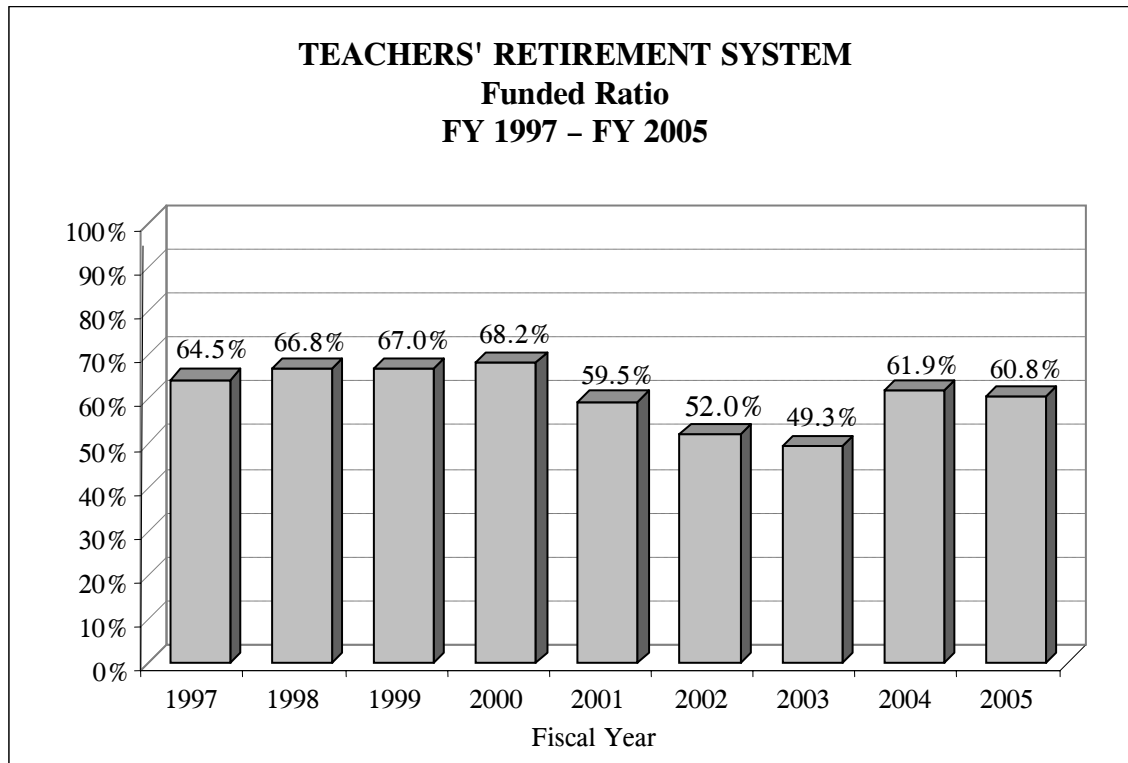
Chart 3 shows the impact the various components have had on the unfunded liabilities of the largest of the State systems, the Teachers' Retirement System (TRS).

CHART 3



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 \$9.7 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 1997 level of \$12.3 billion to more than \$22.0 billion, or an increase of 48% by FY 2005. 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.

CHART 4

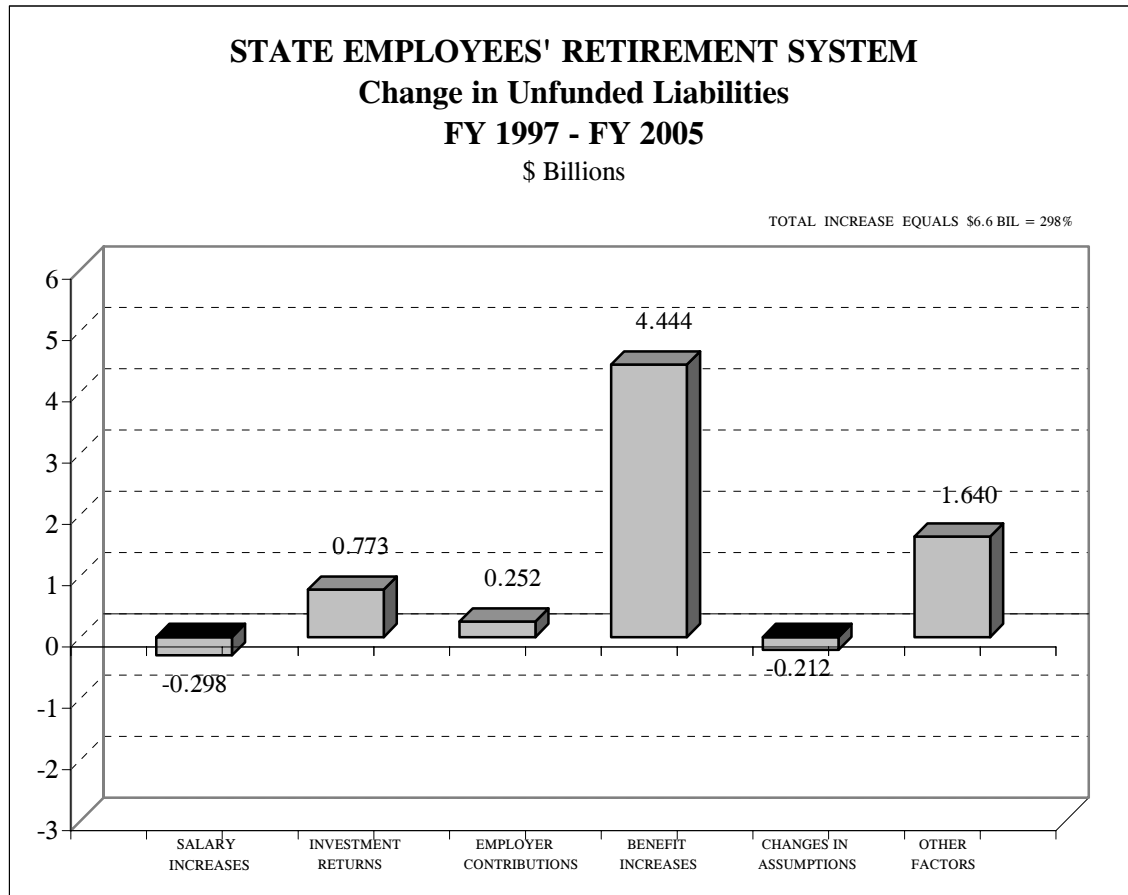


The dramatic increase in the funded ratio in FY 1997 was due to converting the value of assets from cost to market value, large investment returns, and changes in several actuarial assumptions, including increasing the interest rate assumption to 8.5%. The FY 1998 - FY 2000 increases were due to investment returns, which exceeded assumptions by almost \$2.3 billion. A severe market downturn in FY 2001 resulted in a nearly 10% decrease of the funding ratio in FY 2001. The funded ratio continued to decline, partially due to a \$2.7 billion loss on investments in FY 2002 and an \$827 million 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.

STATE EMPLOYEES' RETIREMENT SYSTEM

Chart 5 shows the elements that caused the unfunded liabilities of the State Employees' Retirement System (SERS) to increase from almost \$2.2 billion at the beginning of FY 1997 to over \$8.8 billion at the end of FY 2005.

CHART 5

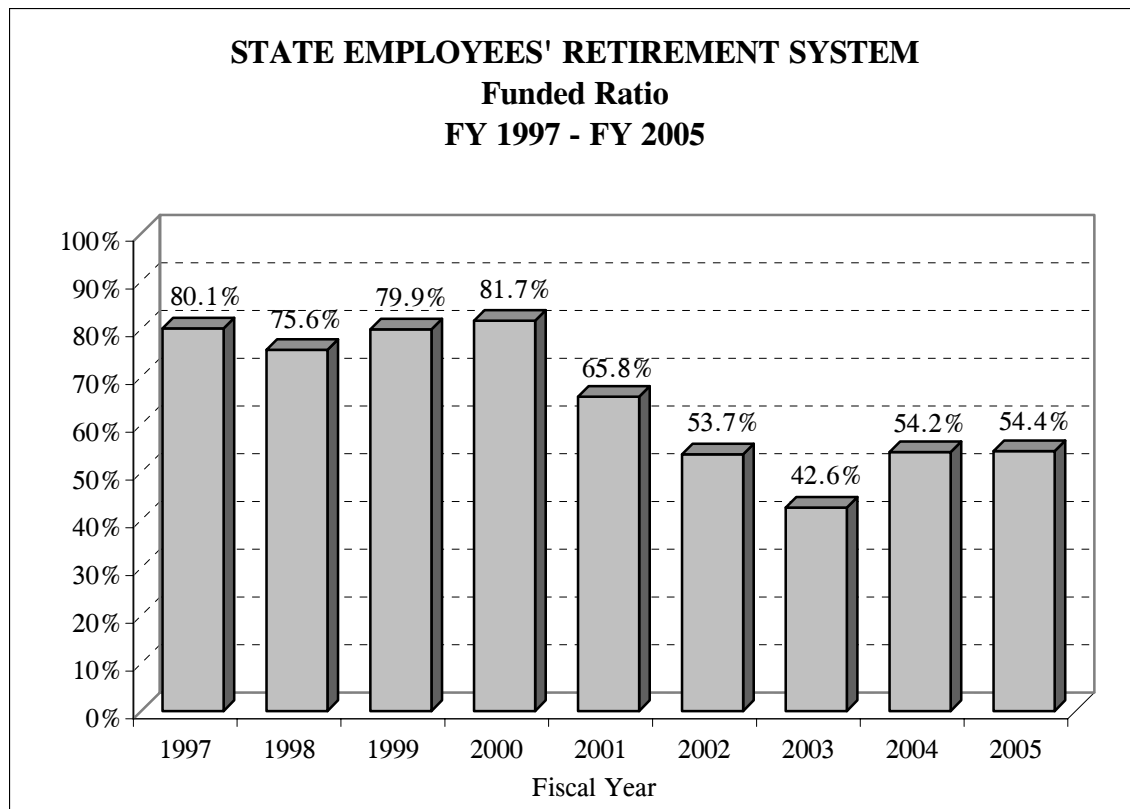


The unfunded liabilities of SERS increased by \$6.6 billion between FY 1997 and FY 2005. During FY 2001 and FY 2002 lower-than-assumed investment returns, insufficient employer contributions (when compared to contributions based on normal cost plus interest), miscellaneous factors, and benefit increases 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. The ERI did have an effect in driving down salary costs. Lower-than-assumed annual salary increases offset some of the increase in accrued liabilities, as did changes in actuarial assumptions (approximately \$1.2 billion for the nine year period). Pension obligation bond proceeds of nearly \$1.4 billion decreased the SERS unfunded liabilities in FY 2004. During

FY 2005 the unfunded liabilities slightly increased primarily due to insufficient employer contributions.

The funded ratios at the end of the year for FY 1997 through FY 2005 are displayed in Chart 6 below.

CHART 6

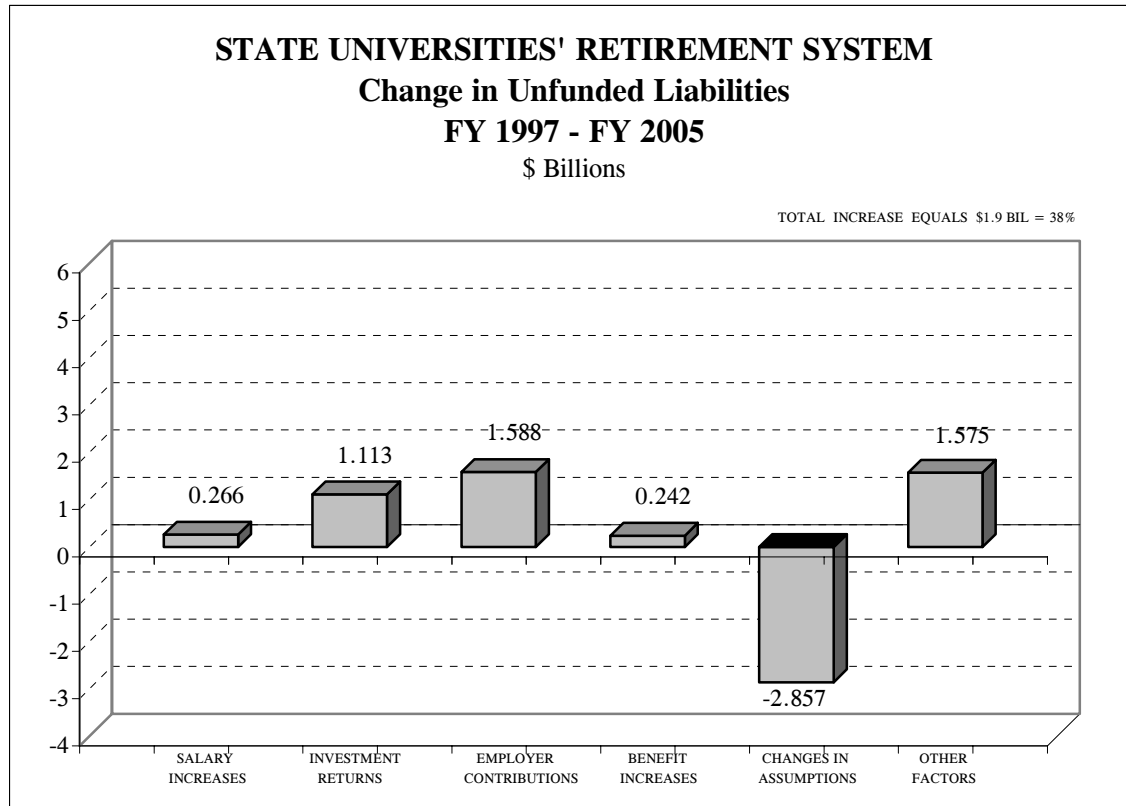


The SERS funded ratio was relatively high in FY 1997 because of the restatement of assets at market value. The ratio declined in FY 1998, primarily as a result of benefit increases (the largest being the benefit formula increase). In FY 1999 and FY 2000, the funded ratio increased to 79.9% and 81.7%, 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 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 \$1.9 billion from the beginning of FY 1997 to FY 2005 are shown in Chart 7.

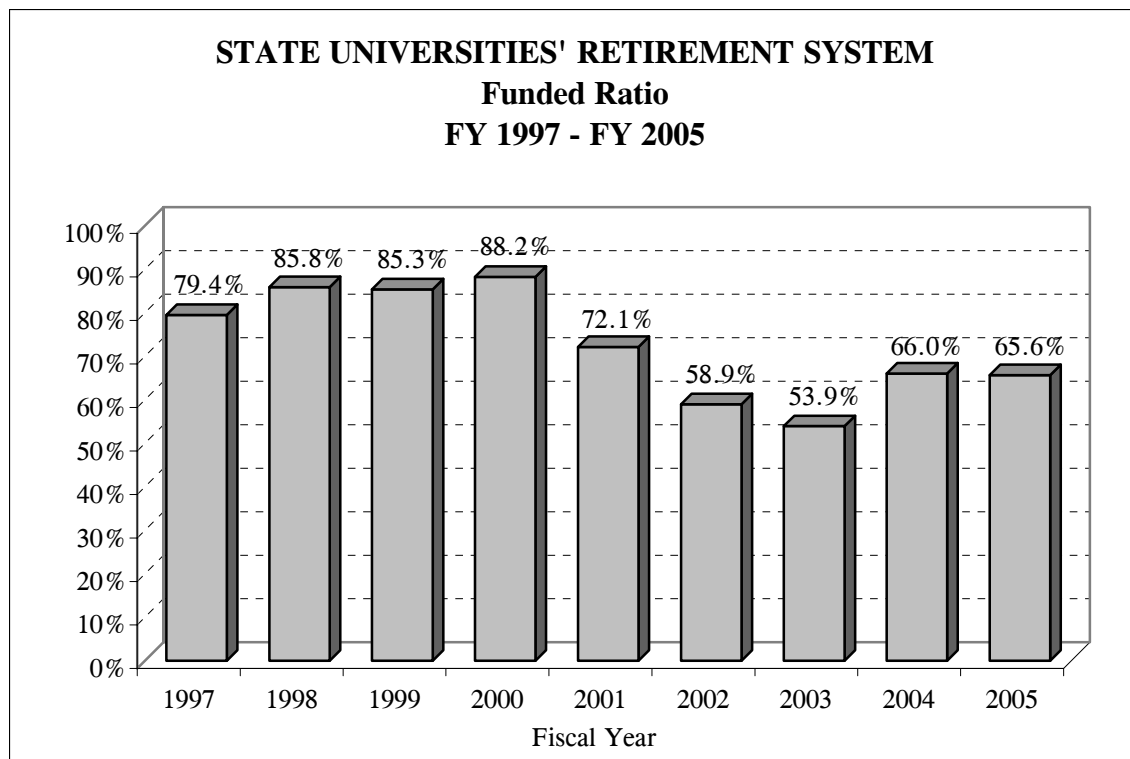
CHART 7



Underestimated increases in salary, 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. Offsetting some of the increase in unfunded liabilities was the valuation of assets at market value, which caused a \$3.3 billion decline in the unfunded liabilities in FY 1997. 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 due to insufficient employer contributions.

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

CHART 8



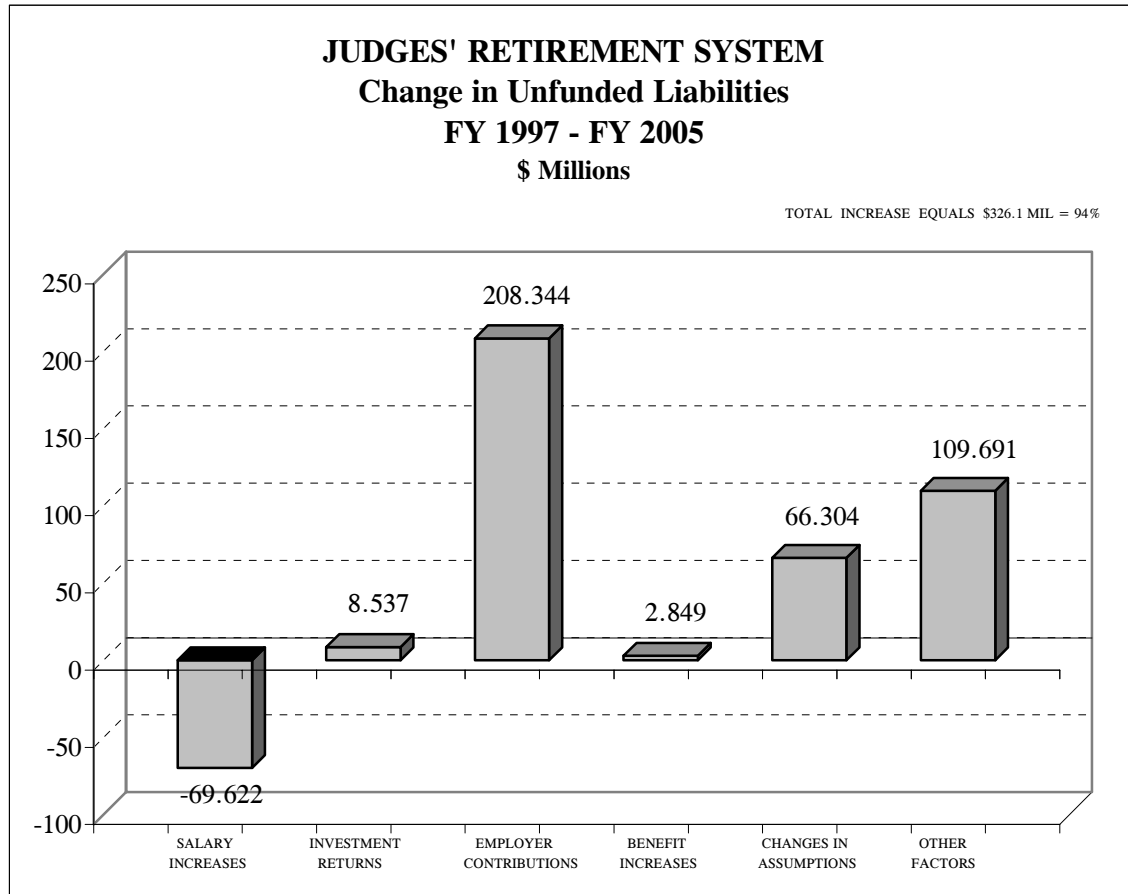
The trend for SURS is similar to that of the aggregate for the five State systems. The funded ratio increased dramatically in FY 1997 due to higher-than-assumed investment returns, changes in actuarial assumptions, and the valuation of assets at market value. As with the other systems, SURS saw their 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 due to insufficient employer contributions.

JUDGES' RETIREMENT SYSTEM

The unfunded liabilities of the Judges' Retirement System increased by \$326 million, or 94%, from the beginning of FY 1995 to FY 2005. The factors that caused this increase are shown in Chart 9.

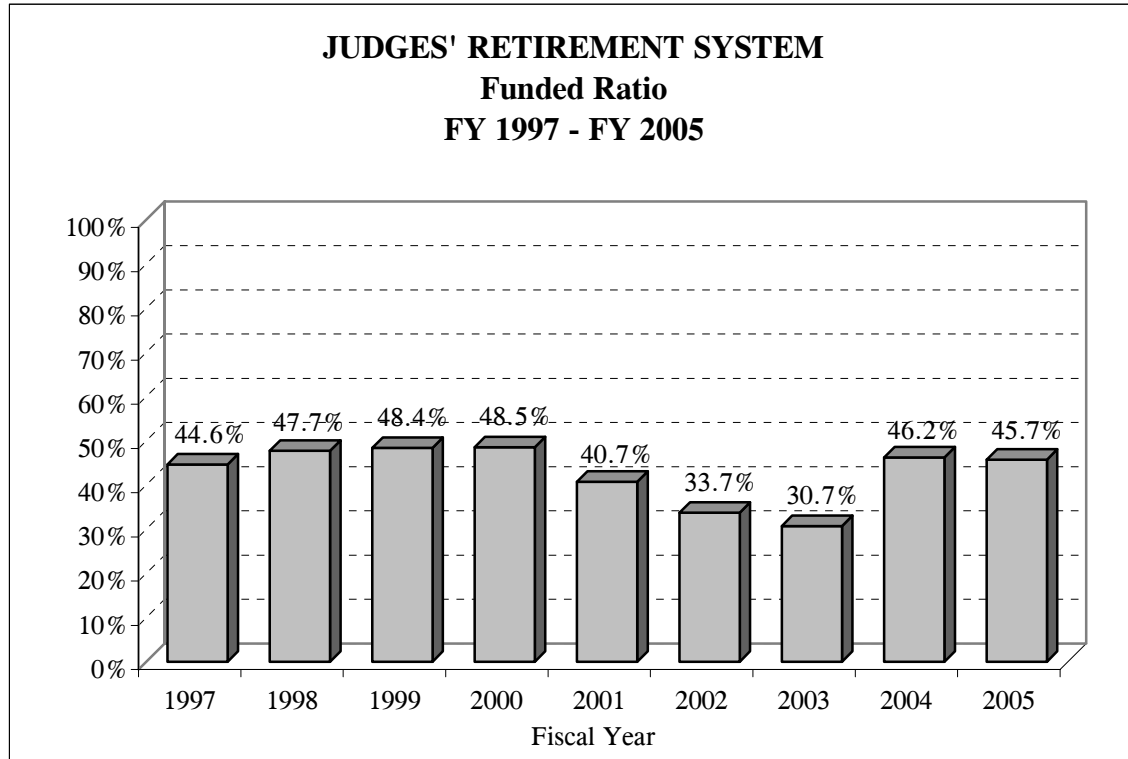
CHART 9



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

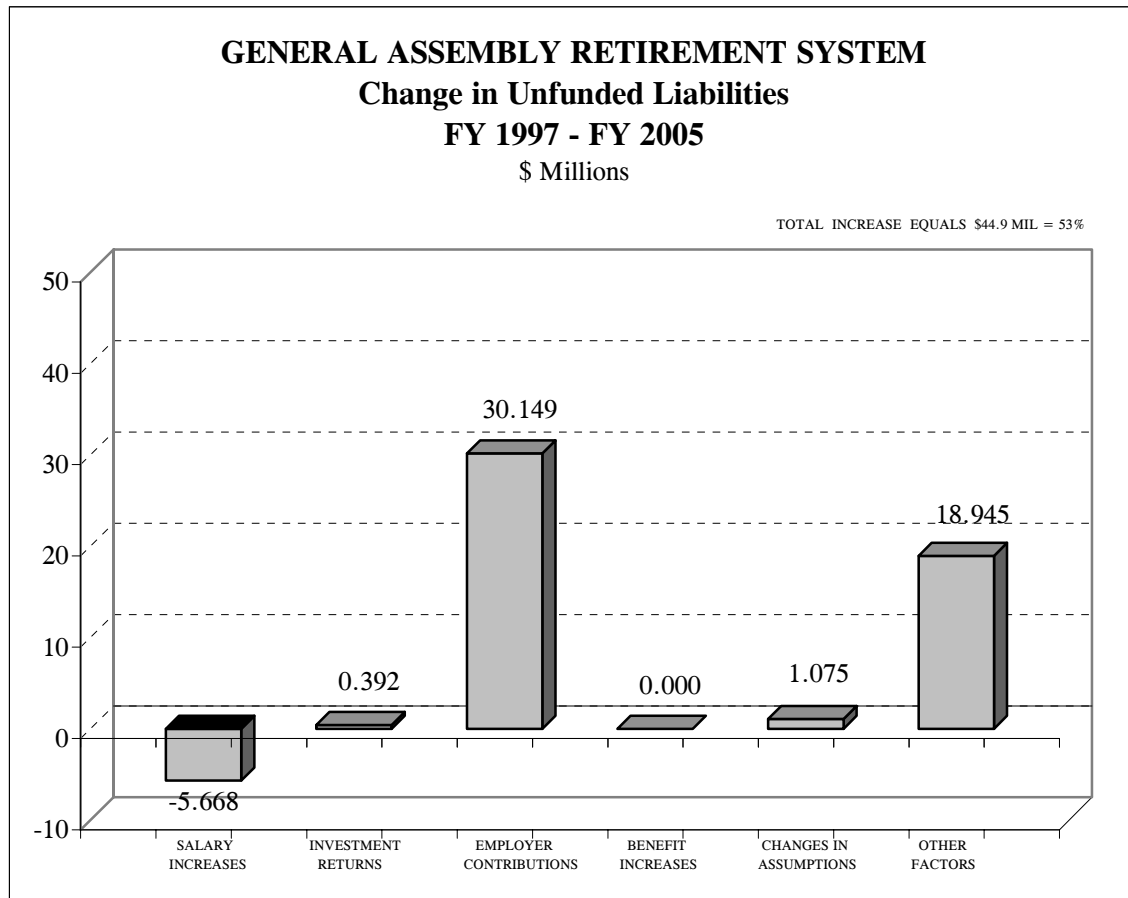


The funded ratio increased in FY 1997 because of higher-than-assumed investment returns, lower-than-assumed salary increases, and the valuation of assets at market value. The significant increase in FY 1998 and the slight increases in FY 1999 and FY 2000 are, again, due to higher-than-assumed investment 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.

GENERAL ASSEMBLY RETIREMENT SYSTEM

As shown in Chart 11, the unfunded liabilities of the General Assembly Retirement System (GARS) increased by \$44.9 million, or 53 % from the beginning of FY 1997 to FY 2005.

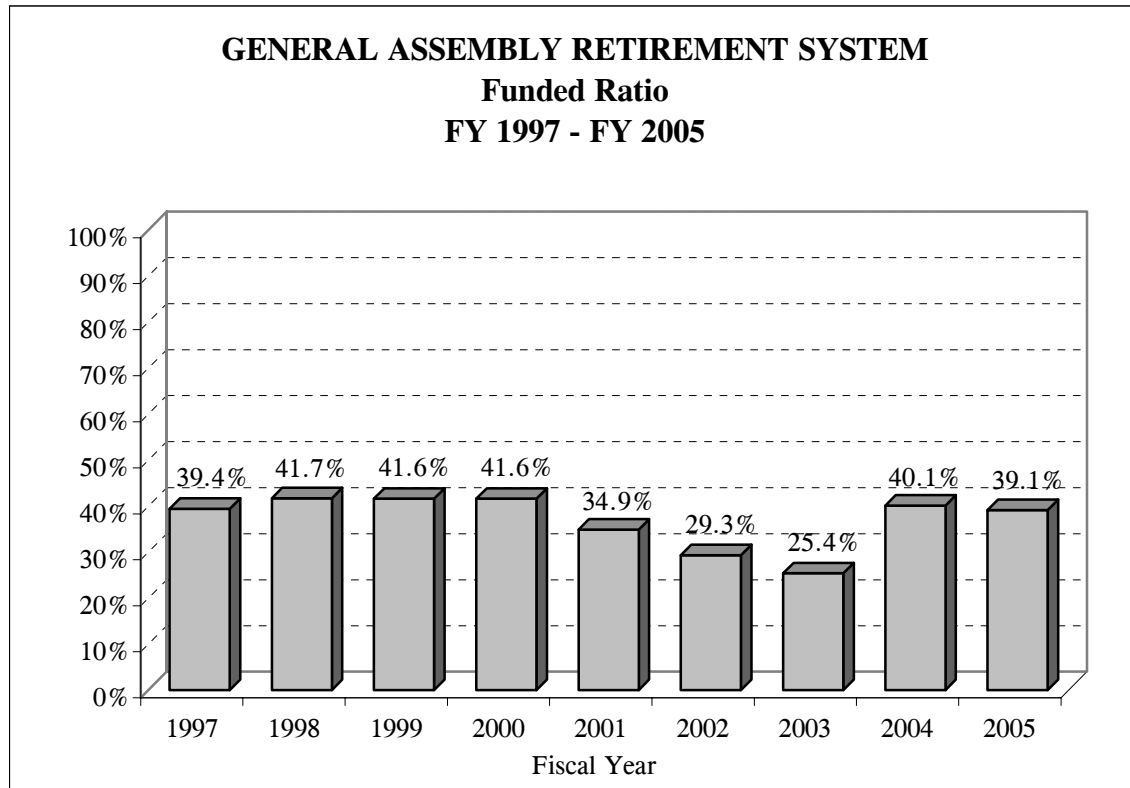
CHART 11



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 and higher-than-expected investment returns 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.

CHART 12



GARS, the most poorly funded of the State systems, had a funded ratio of only 39.4% at the end of FY 1997. The funded ratio increased considerably to 41.7% in FY 1998. The increase in the funded ratio was the result of higher-than-assumed investment returns. The funded ratio was relatively level from FY 1997 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 29.3%, 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 than 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 decrease in the FY 2005 funded ratio 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, 2005, 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.

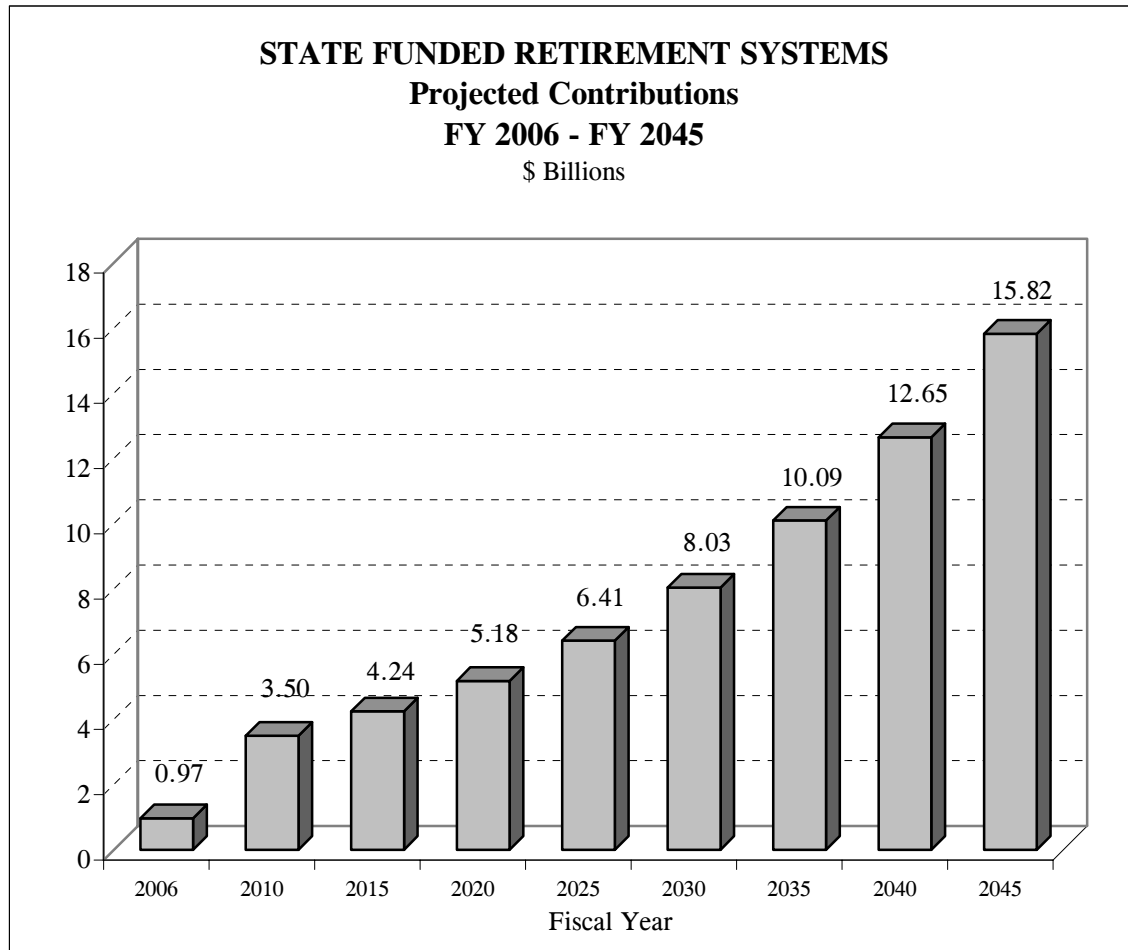
While the projections provide an estimate of the future financial condition of the State retirement systems, there are some inherent limitations. All projections assume the actuarial assumptions of each system are met every year. If actual experience deviates significantly from the actuarial assumptions, 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 2005 through 2045, assuming a continuation of current laws. The charts also show the required contributions in fiscal years 2005 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 a 90% funded ratio target by FY 2045.

CHART 13



In accordance with the funding method contained in current law, the State appropriated \$1.64 billion to the State retirement systems in FY 2005. Under current law, required State contributions are expected to grow to \$15.82 billion in FY 2045. At that time, the liabilities of the State Systems are projected to be about \$446 billion, while the systems' assets are expected to reach about \$401 billion, resulting in a 90% funded ratio. The annual required contributions (as well as other relevant funding information) are shown in greater detail in Appendix B.

CHART 14

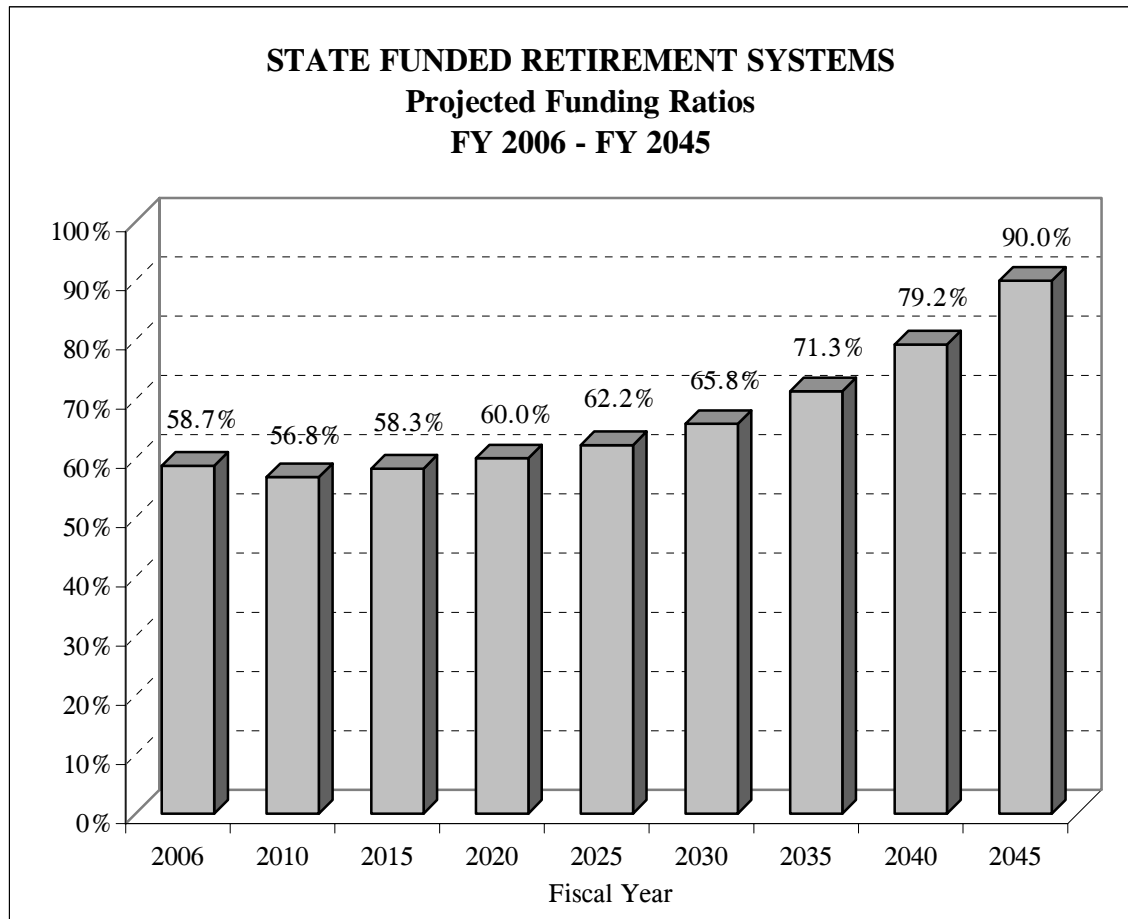
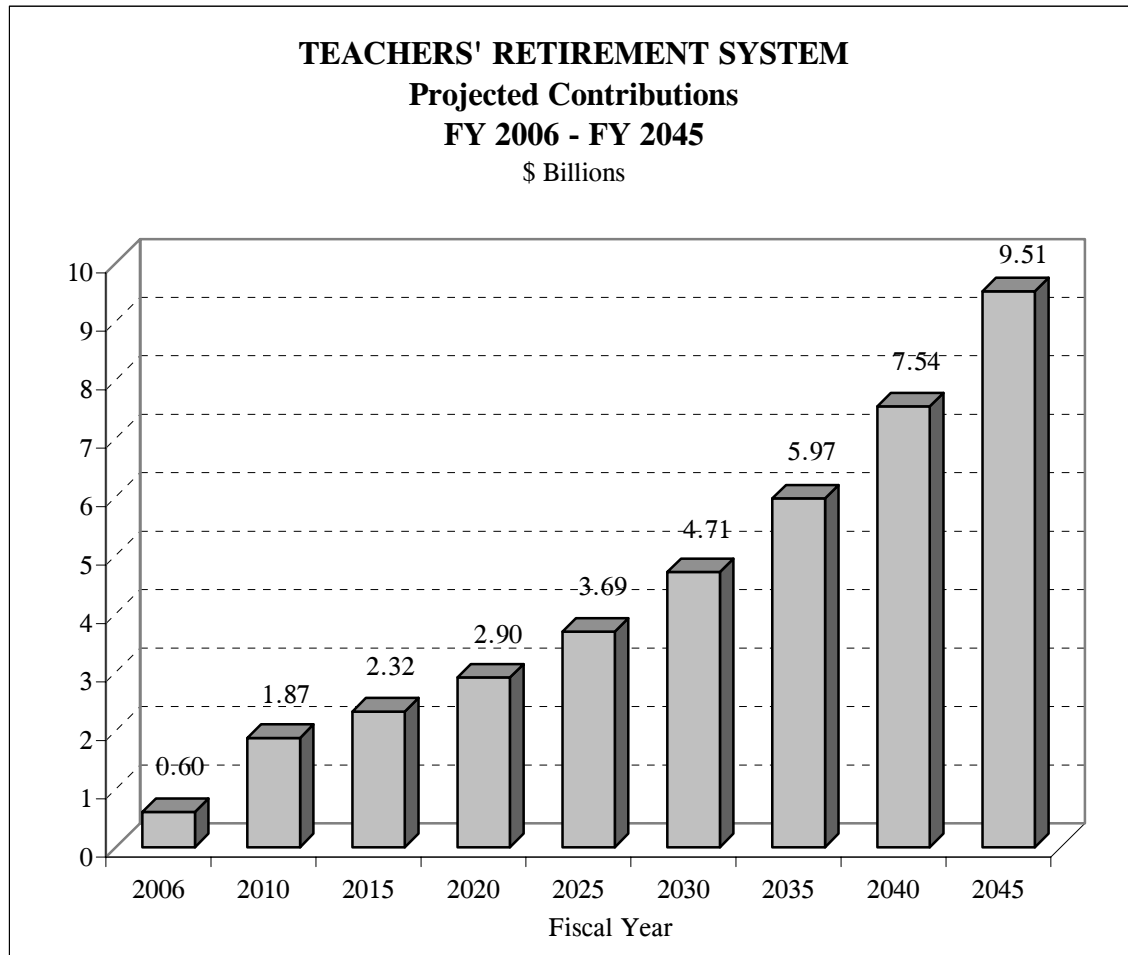


Chart 14 reveals the effect of funding the retirement systems in accordance with current laws. The funded ratio is projected to change from 58.7% in FY 2006 to 58.3% in FY 2015, 62.2% in FY 2025, 71.3% in FY 2035, and 90% in FY 2045 if contributions are made in accordance with current laws.

TEACHERS' RETIREMENT SYSTEM

Chart 15 shows the projected contributions to TRS under existing laws.

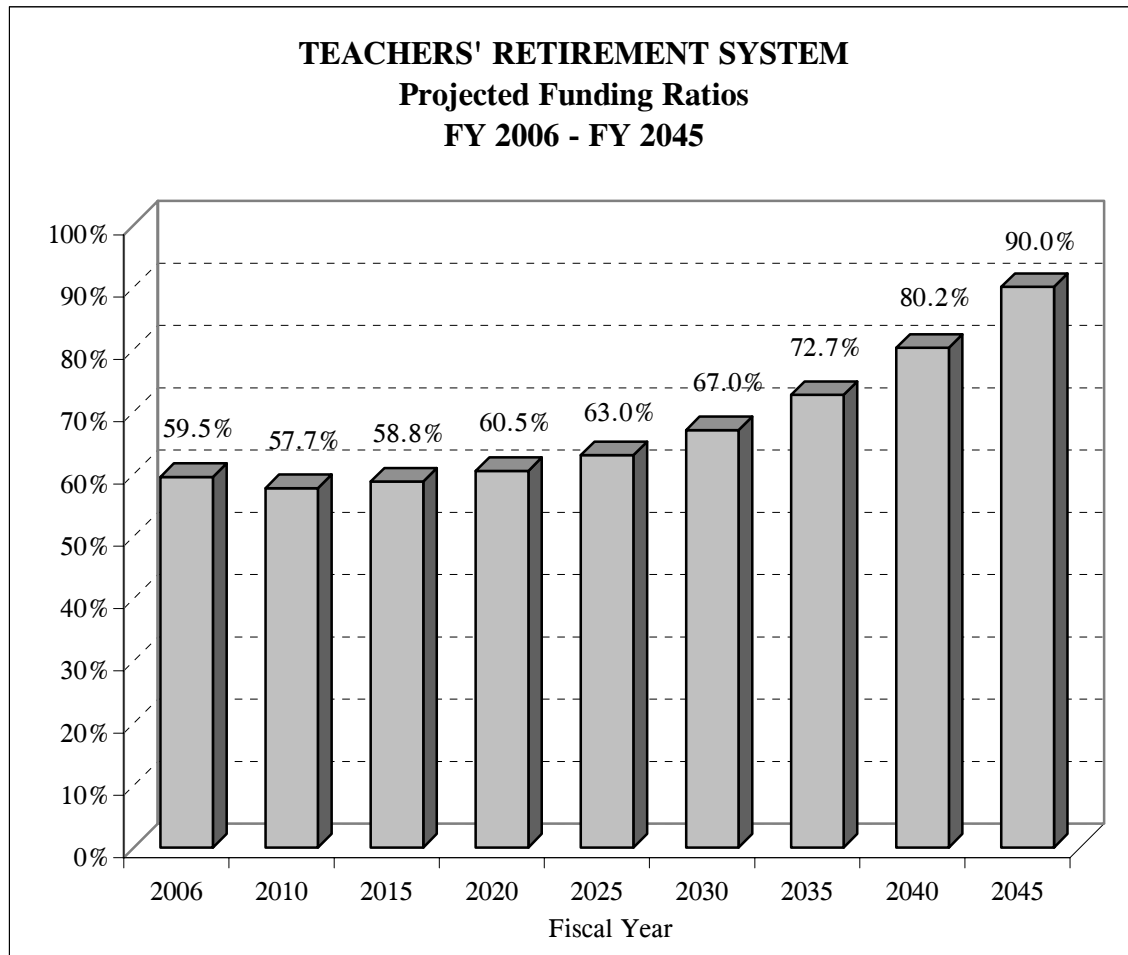
CHART 15



Under the current funding plan, State contributions to TRS are projected to increase from \$601.9 million in FY 2006 to \$9.51 billion in FY 2045. After FY 2045, contributions will be equal to the annual normal cost of TRS, plus the amount needed to maintain the funded ratio at 90%.

Chart 16 (on the next page) shows the funded ratios, in selected years, which would result from the current funding projections.

CHART 16

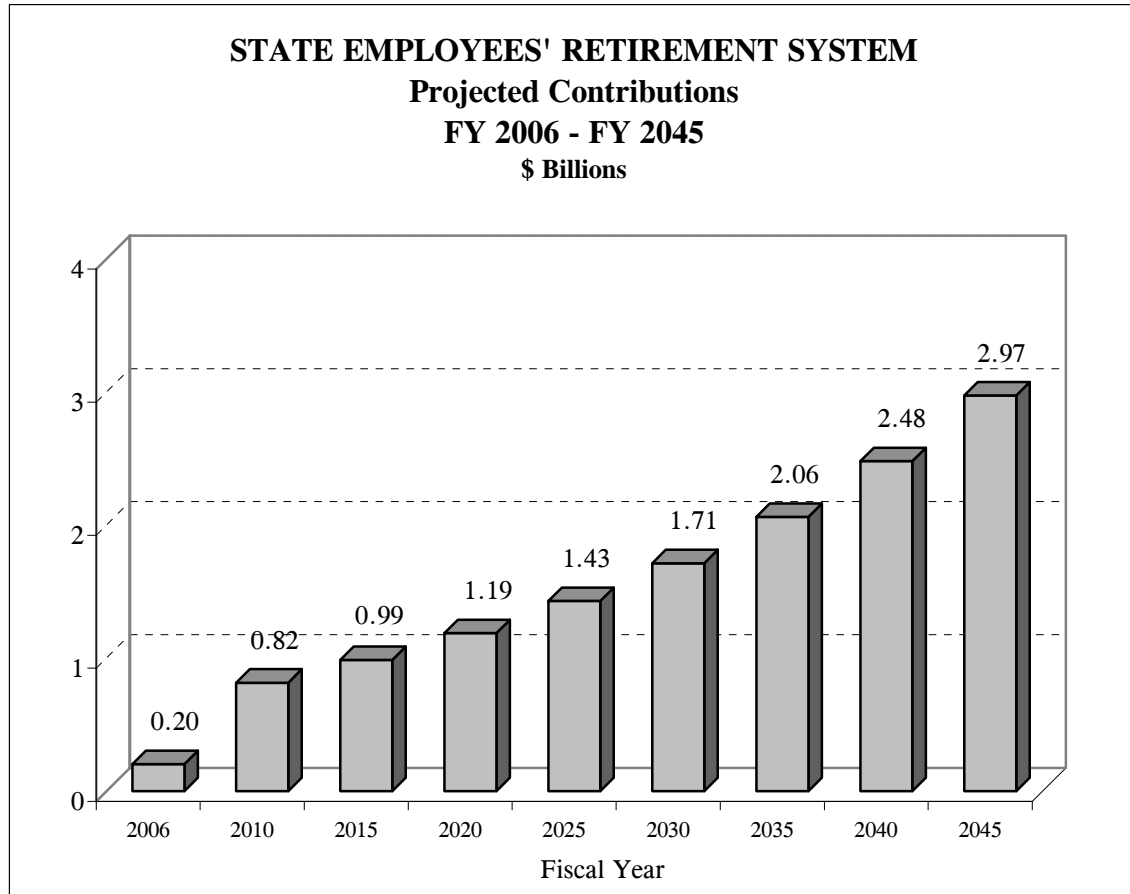


As Chart 16 shows, making the employer contributions required by current law results in a decreased funded ratio until FY 2015, when the funded ratio gradually begins to increase as contributions increase in accordance with the current funding plan. Refer to Appendix C for more detail on the annual effects of continuing existing funding plans.

STATE EMPLOYEES' RETIREMENT SYSTEM

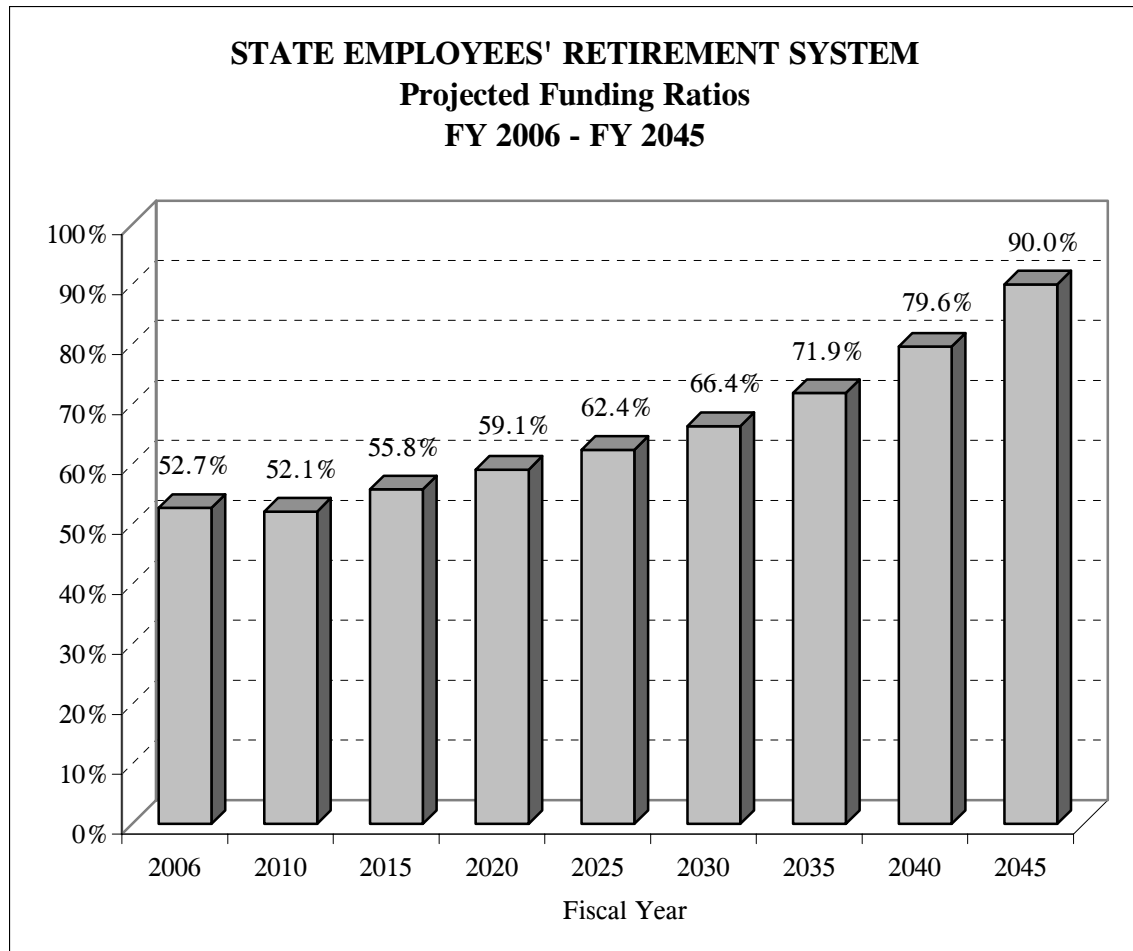
Chart 17 displays the required State contributions under current law.

CHART 17



As Chart 17 illustrates, State contributions to SERS, per current law, are expected to increase from \$203.8 million in FY 2006 to more than \$2.9 billion in FY 2045.

CHART 18

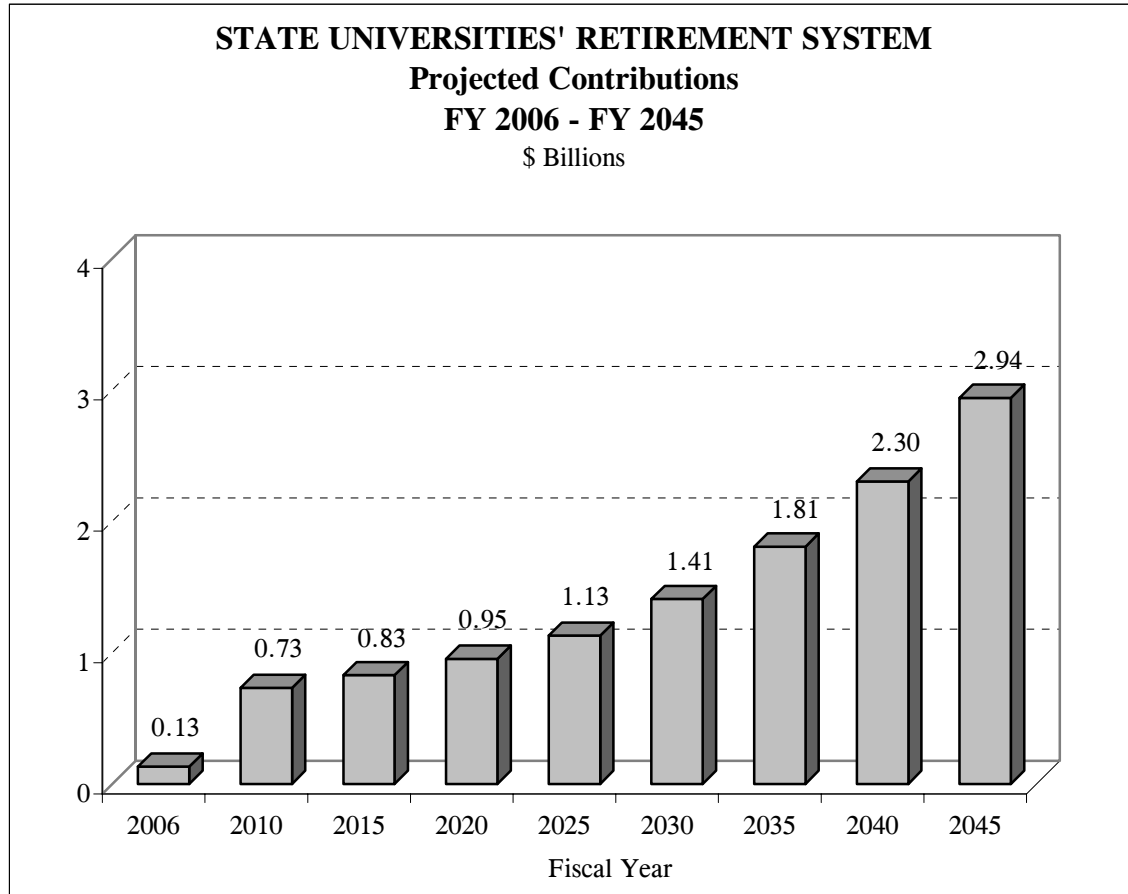


Making the employer contributions required in existing laws will result in a projected funded ratio of 90% in FY 2045. Appendix D provides further detailed information on the SERS projections.

STATE UNIVERSITIES' RETIREMENT SYSTEM

Chart 19 provides a view of the future of SURS under the current funding projections.

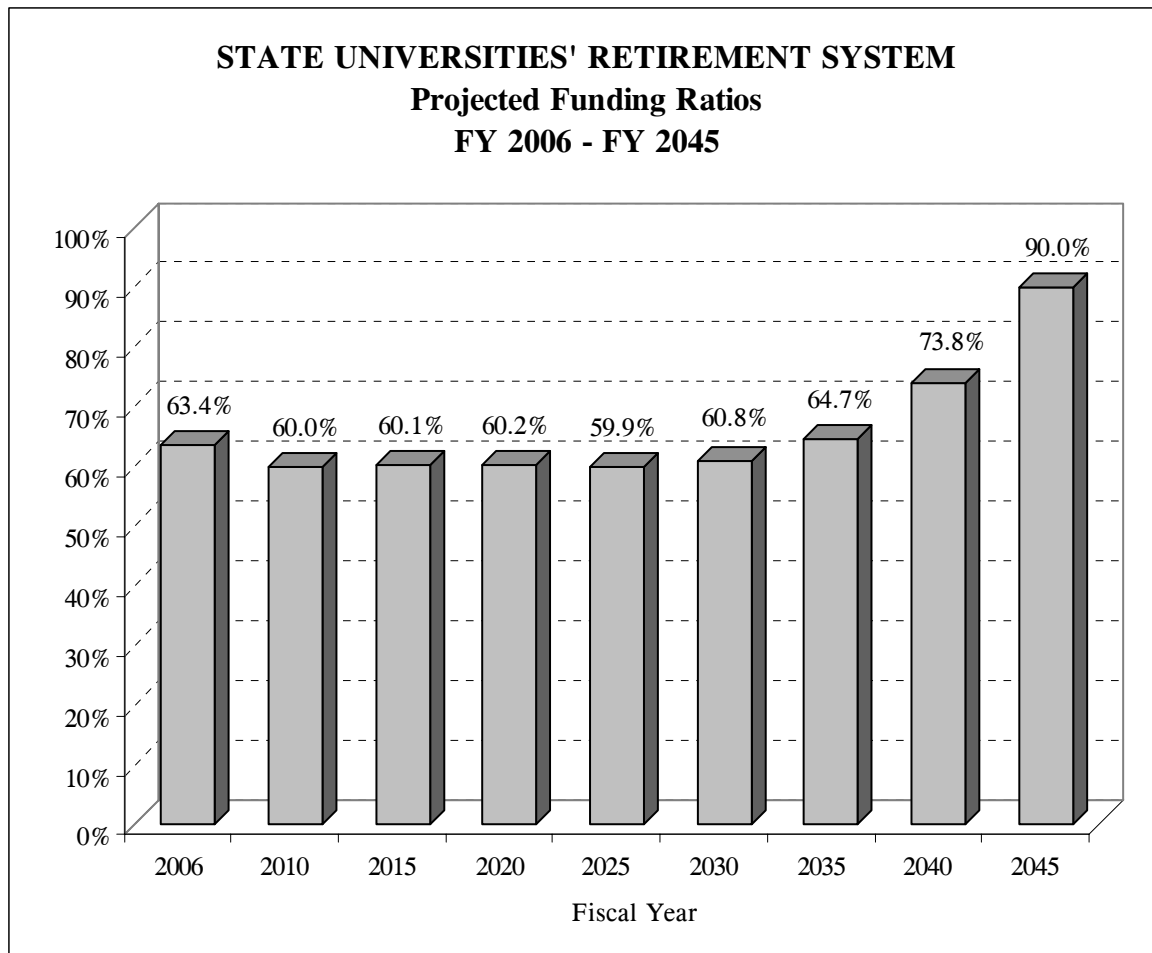
CHART 19



The projected contributions in Chart 19 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 10% of current SURS members will opt for the SMP and 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 \$131.8 million in FY 2006 to more than \$2.94 billion in FY 2045. 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%.

CHART 20

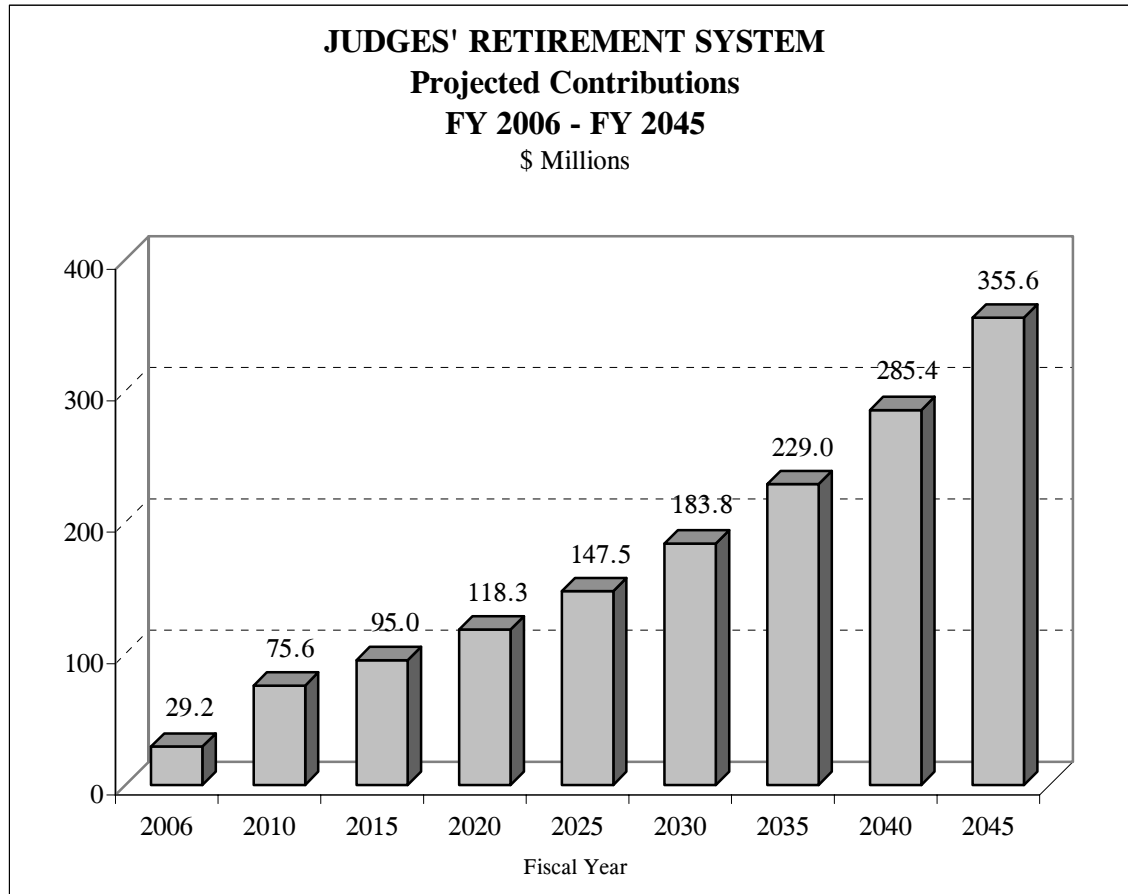


Under current law, the SURS funded ratio will decline from the FY 2006 level of 63.4% to approximately 60% in FY 2010. The funded ratio will remain virtually flat until it begins rising steeply in FY 2030 on its way to reaching 90% in FY 2045. Appendix E provides detailed SURS projections on an annual basis.

JUDGES' RETIREMENT SYSTEM

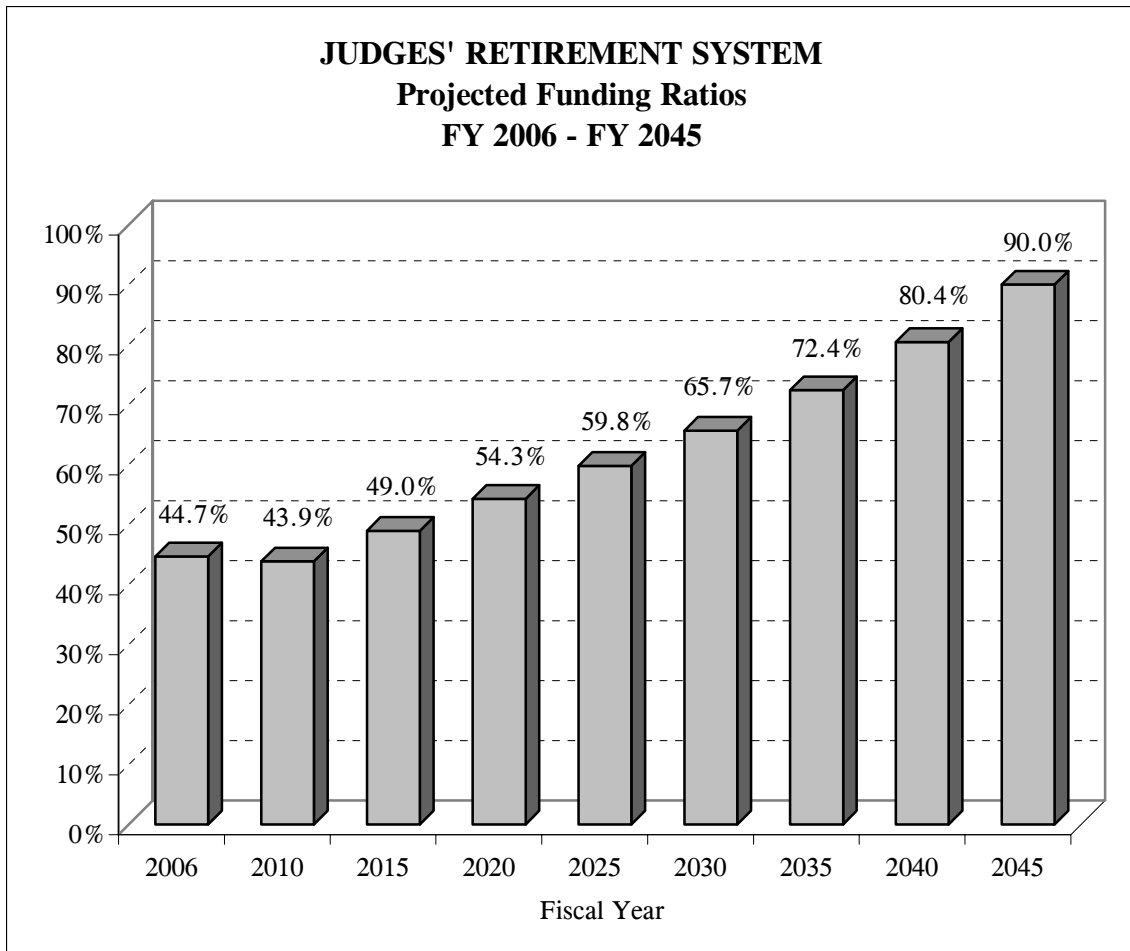
Chart 21 provides a look at the projections for JRS under current law, for which more detail can be found in Appendix F.

CHART 21



Under the current funding plan, State contributions to JRS are projected to increase from \$29.0 million in FY 2006 to \$355.6 million in FY 2045. After FY 2045, contributions will be equal to the annual normal cost of JRS, plus the amount needed to maintain the funded ratio at 90%.

CHART 22



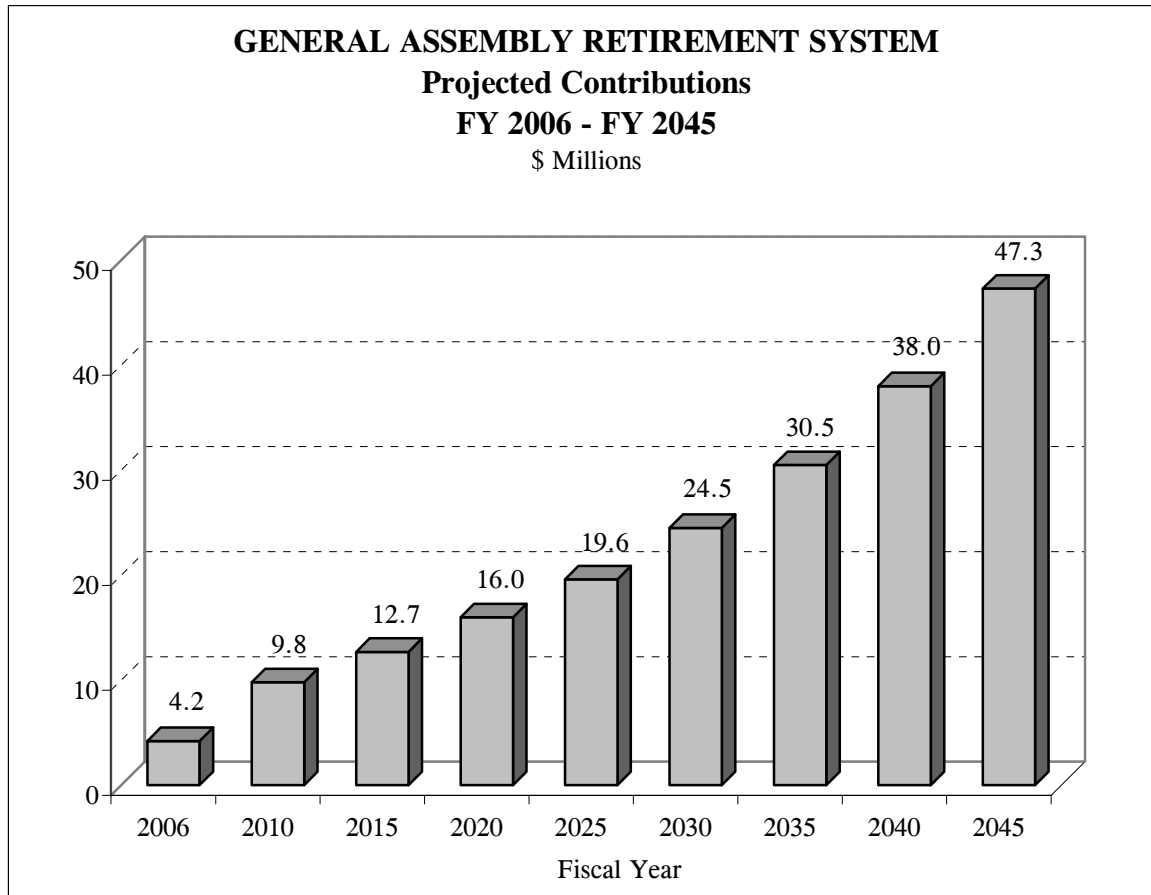
Under current law the funded ratio of JRS is projected to increase from 44.7% in FY 2006 to 49.0% in FY 2015, and to 90% by FY 2045. The annual contribution and funded ratio information is shown in greater detail in Appendix F.

It should be noted that JRS, along with the General Assembly Retirement System, represents a small portion of the aggregate unfunded liabilities of the five State retirement systems. While their funded ratios are the lowest by comparison, the amount of contributions required to improve the financial status of these systems would be relatively small in comparison with the three larger State systems.

GENERAL ASSEMBLY RETIREMENT SYSTEM

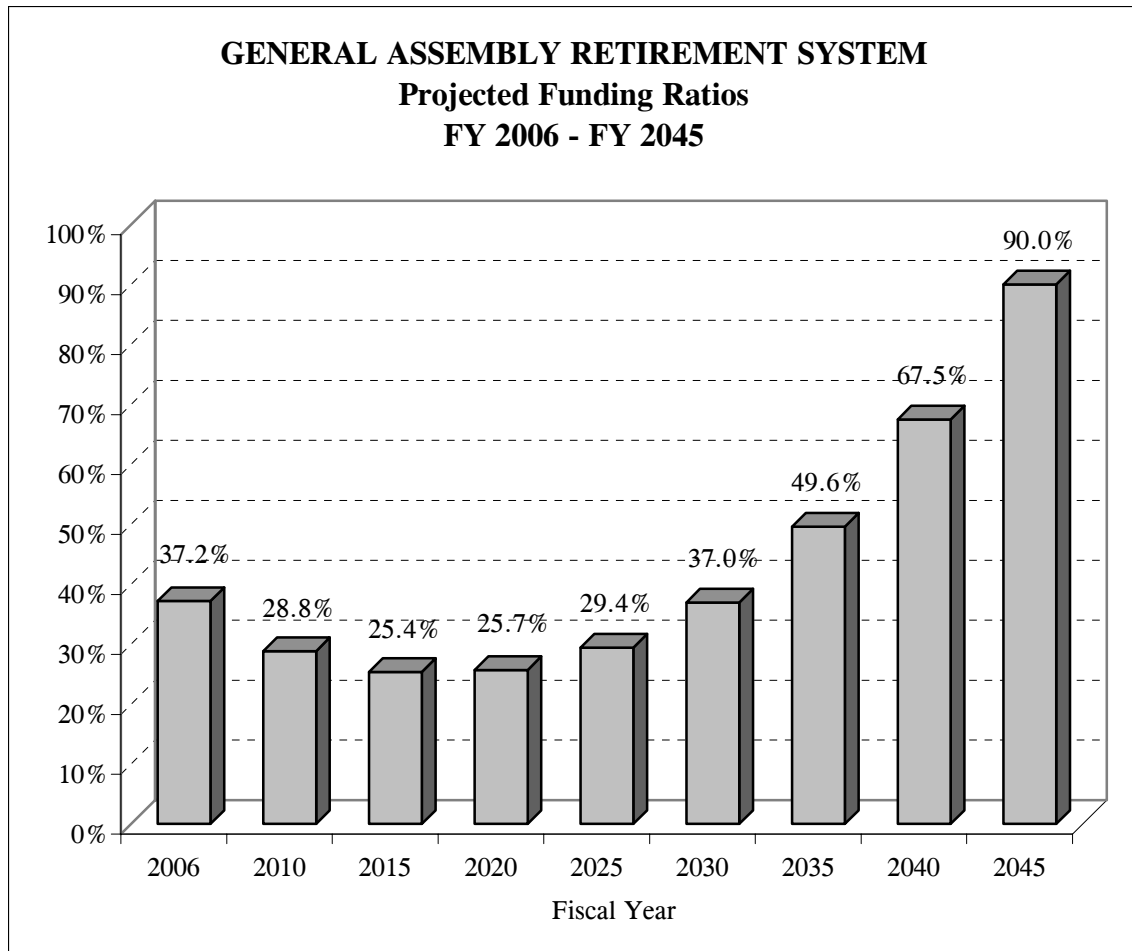
Chart 23 provides projections for GARS under the current funding plans, for which more detail can be found in Appendix G.

CHART 23



As Chart 23 illustrates, State contributions to GARS, per current law, are expected to increase from \$4.2 million in FY 2006 to \$47.3 million in FY 2045.

CHART 24



If funded in accordance with current law, GARS' funded ratio will fall to 25.4% in FY 2015, before beginning to increase annually until reaching 90% in FY 2045. This information is shown in greater detail in Appendix G.

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.

TABLE 5

Summary of Financial Condition Firemen's Annuity and Benefit Fund of Chicago (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded 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	2,953.9	1,274.7	1,679.2	43.2%

Fiscal Year	Active Employees	Employee Annuitants	Average Salary	Average Annuity
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

Total FY 2005 Payroll: \$341.3 million

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.

TABLE 6

Summary of Financial Condition Laborers' Annuity and Benefit Fund of Chicago (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded Ratio
1997	\$1,040.7	\$1,204.4	(\$163.8)	115.7%
1998	1,292.6	1,615.7	(323.1)	125.0%
1999	1,309.8	1,690.8	(381.0)	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	1,742.1	1,636.3	105.8	93.9%

Fiscal Year	Active Employees	Employee Annuitants	Average Salary	Average 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

FY 2005 Payroll: \$182.8 Million

Municipal Employees' Annuity and Benefit Fund of Chicago: This system covers persons appointed under civil service 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.

TABLE 7

Summary of Financial Condition Municipal Employees' Annuity and Benefit Fund of Chicago (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded Ratio
1997	\$5,259.1	\$3,853.5	\$1,405.7	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 %

Fiscal Year	Active Employees	Employee Annuitants	Average Salary	Average 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

FY 2005 Payroll: \$1.4 Billion

Park Employees' Annuity and Benefit Fund of Chicago: This system covers all persons employed by the Chicago Park District.

TABLE 8

Summary of Financial Condition Park Employees' Annuity and Benefit Fund of Chicago (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded 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%

Fiscal Year	Active Employees	Employee Annuitants	Average Salary	Average 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

FY 2005 Payroll: \$95.7 Million

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.

TABLE 9

Summary of Financial Condition Policemen's Annuity and Benefit Fund of Chicago (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded 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%

Fiscal Year	Active Employees	Employee Annuitants	Average Salary	Average 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	13,569	8,026	\$70,493	\$43,930

Total FY 2005 Payroll: \$948.0 Million.

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

TABLE 10

Summary of Financial Condition Public School Teachers' Pension and Retirement Fund of Chicago (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded 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 %

Fiscal Year	Active Employees	Employee Annuitants	Average Salary	Average 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

FY 2005 Payroll: \$1.9 Billion

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

TABLE 11

Summary of Financial Condition Chicago Transit Authority Retirement Fund (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded 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%

Fiscal Year	Active Employees	Employee Annuitants	Average Salary	Average 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	9,598	8,038	\$47,000	\$17,862
2002	10,106	8,057	\$47,952	\$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

FY 2005 Payroll: \$544.4 Million

Metropolitan Water Reclamation District Retirement Fund: This system covers any person employed by the Metropolitan 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.

TABLE 12

Summary of Financial Condition Metropolitam Water Reclamation Distruct Retirement Fund (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded 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	1,159.3	494.8	70.1%

Fiscal Year	Active Employees	Total Annuitants	Average Salary	Average 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

FY 2005 Payroll: \$149.2 Million

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

TABLE 13

Summary of Financial Condition Cook County Employees' Pension Fund (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded 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%

Fiscal Year	Active Employees	Employee Annuitants	Average Salary	Average 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	25,728	11,190	\$53,932	\$28,266

FY 2005 Payroll: \$1.4 Billion

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.

TABLE 14

Summary of Financial Condition Cook County Forest Preserve Employees' Pension Fund (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded <u>Liability</u>	Funded 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%

Fiscal <u>Year</u>	Active Employees	Employee Annuitants	Average Salary	Average 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

FY 2005 Payroll: \$13.2 Million

Illinois Municipal Retirement Fund: This system covers employees hired by participating employers. The following units of government are required to participate: all counties except Cook and all school districts except Chicago. Other units of government with general taxing powers, such as cities, villages, townships and special districts may elect to join. Certain participating instrumentalities, including units of government without general taxing powers, associations, or cooperatives authorized by State statute, may participate if they meet the requirements of financial stability.

TABLE 15

Summary of Financial Condition Illinois Municipal Retirement Fund (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded 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 %

Fiscal Year	Active Employees	Total Annuitants	Average Salary	Average Annuity
1997	146,659	64,056	\$23,991	\$10,643
1998	150,428	66,272	\$24,871	\$10,415
1999	155,517	68,331	\$25,678	\$10,102
2000	159,810	69,862	\$26,514	\$9,314
2001	164,845	71,432	\$27,477	\$11,023
2002	167,776	73,360	\$28,582	\$12,217
2003	167,952	75,775	\$29,709	\$13,862
2004	168,536	78,242	\$30,889	\$14,118
2005	170,928	80,719	\$31,640	\$13,145

Total FY 2005 Payroll: \$5.4 Billion

APPENDICES

APPENDIX A

STATE RETIREMENT SYSTEMS CHANGES IN UNFUNDED LIABILITY FY 1997 - FY 2005							
	SALARY INCREASES	INVESTMENT RETURNS (HIGHER)/LOWER THAN ASSUMED	EMPLOYER CONTRIBUTIONS N. C. + INTEREST (HIGHER)/LOWER	BENEFIT INCREASES	CHANGES IN ACTUARIAL ASSUMPTIONS	OTHER FACTORS	TOTAL CHANGE IN UNFUNDED LIABILITY FROM PREVIOUS YR
TEACHERS'							
6/30/1997	(59,062,000)	(830,936,000)	992,390,000	0	(2,944,771,000)	88,773,000	(2,753,606,000)
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	694,736,000	360,047,000	4,830,338,000
6/30/2003	171,802,000	827,434,000	1,415,610,000	53,850,000	0	658,524,000	3,127,220,000
6/30/2004	217,255,000	(2,168,876,000)	(2,811,516,000)	0	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
Total	\$525,916,000	\$674,170,000	\$4,881,826,000	\$1,088,020,000	(\$2,098,387,000)	\$4,606,184,000	\$9,677,729,000
STATE UNIVERSITIES'							
6/30/1997	(44,026,000)	(312,322,000)	424,816,000	179,117,000	(3,342,395,000)	198,529,000	(2,896,281,000)
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)
6/30/2001	70,300,000	2,068,500,000	141,431,000	0	0	266,700,000	2,546,931,000
6/30/2002	90,800,000	1,568,700,000	313,944,000	63,000,000	485,300,000	155,600,000	2,677,344,000
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
Total	\$266,112,000	\$1,112,842,000	\$1,588,490,000	\$242,117,000	(\$2,857,095,000)	\$1,575,109,000	\$1,927,575,000
STATE EMPLOYEES'							
6/30/1997	(65,121,542)	(541,583,072)	121,668,957	0	(379,894,379)	152,898,511	(712,031,525)
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	1,247,268,792	186,860,538	171,100,000	168,144,000	496,199,643	2,321,572,973
6/30/2003	(28,282,435)	629,483,966	404,526,925	2,371,173,094	0	97,815,307	3,474,716,857
6/30/2004	(22,316,647)	(679,743,495)	(944,135,304)	0	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
Total	(\$298,107,267)	\$772,537,972	\$251,695,257	\$4,444,266,446	(\$211,750,379)	\$1,639,685,794	\$6,598,327,823
JUDGES'							
6/30/1997	(7,658,092)	(28,145,182)	27,156,529	0	37,922,093	15,264,216	44,539,564
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	35,767,996	0	0	17,044,333	107,138,234
6/30/2002	(11,821,953)	54,489,350	42,170,792	0	28,381,924	8,609,434	121,829,547
6/30/2003	(26,392,926)	27,183,676	49,293,246	0	0	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
Total	(\$69,621,763)	\$8,537,118	\$208,344,307	\$2,848,501	\$66,304,017	\$109,690,816	\$326,102,996
GENERAL ASSEMBLY							
6/30/1997	1,298,457	(5,057,646)	5,529,869	0	(136,881)	753,138	2,386,937
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	(431,214)	(2,371,993)	5,576,440	0	0	2,079,991	4,853,224
6/30/2001	(555,323)	10,135,725	5,803,227	0	0	1,273,197	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	(\$5,668,164)	\$392,252	\$30,148,663	\$0	\$1,075,070	\$18,944,774	\$44,892,595
TOTAL STATE-FUNDED SYSTEMS							
6/30/1997	(174,569,177)	(1,718,043,900)	1,571,561,355	179,117,000	(6,629,275,167)	456,217,865	(6,314,992,024)
6/30/1998	(113,186,439)	(2,788,182,020)	984,293,345	2,250,183,128	0	275,635,915	608,743,929
6/30/1999	77,096,356	(988,726,350)	883,431,385	33,870,000	125,223,000	893,634,480	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
6/30/2004	135,696,594	(3,841,756,713)	(4,713,127,728)	0	0	408,588,832	(8,010,599,015)
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
Total	\$418,630,806	\$2,568,479,342	\$6,960,504,227	\$5,777,251,947	(\$5,099,853,292)	\$7,949,614,384	\$18,574,627,414

APPENDIX B

FUNDING PROJECTIONS FOR THE STATE RETIREMENT SYSTEMS Projections Based on Laws in Effect on June 30, 2005 (\$ in millions)									
Fiscal Year	Annual Payroll	Benefit Payout	Total Employer Contribution	Employer Contribution as a % of Payroll	Accrued Liability	Assets	Unfunded Liabilities	Funded Ratio	Unfunded Liabilities as a % of Payroll
2006	13,812.7	5,557.9	970.9	7.0%	102,367.4	60,129.9	42,237.5	58.7%	305.8%
2007	14,389.7	5,886.9	1,421.3	9.9%	107,703.3	62,012.5	45,690.8	57.6%	317.5%
2008	14,964.5	6,196.8	2,048.9	13.7%	113,224.7	64,311.2	48,913.5	56.8%	326.9%
2009	15,583.2	6,513.5	2,736.5	17.6%	118,945.6	67,255.5	51,690.1	56.5%	331.7%
2010	16,245.3	6,871.1	3,499.4	21.5%	124,830.8	70,963.4	53,867.4	56.8%	331.6%
2011	16,910.5	7,271.6	3,641.7	21.5%	130,844.5	74,786.1	56,058.4	57.2%	331.5%
2012	17,578.4	7,708.9	3,784.1	21.5%	136,952.0	78,675.0	58,277.0	57.4%	331.5%
2013	18,262.9	8,179.7	3,931.3	21.5%	143,127.6	82,635.5	60,492.1	57.7%	331.2%
2014	18,973.8	8,672.3	4,084.3	21.5%	149,357.9	86,636.5	62,721.4	58.0%	330.6%
2015	19,717.4	9,176.3	4,243.8	21.5%	155,639.4	90,680.1	64,959.3	58.3%	329.5%
2016	20,497.6	9,690.1	4,410.9	21.5%	161,697.9	94,775.1	66,922.8	58.6%	326.5%
2017	21,317.7	10,207.3	4,586.8	21.5%	167,819.3	98,935.6	68,883.7	59.0%	323.1%
2018	22,185.9	10,728.8	4,773.0	21.5%	174,016.2	103,182.2	70,834.0	59.3%	319.3%
2019	23,105.4	11,250.7	4,870.0	21.5%	180,306.0	107,538.5	72,767.5	59.6%	314.9%
2020	24,075.6	11,777.5	5,178.0	21.5%	186,699.5	112,025.6	74,673.9	60.0%	310.2%
2021	25,103.9	12,302.1	5,398.5	21.5%	193,219.9	116,673.9	76,546.0	60.4%	304.9%
2022	26,186.2	12,827.7	5,630.5	21.5%	199,888.3	121,513.7	78,374.6	60.8%	299.3%
2023	27,326.4	13,357.4	5,874.9	21.5%	206,724.8	126,580.4	80,144.4	61.2%	293.3%
2024	28,531.4	13,888.6	6,133.2	21.5%	213,754.7	131,911.5	81,843.2	61.7%	286.9%
2025	29,830.1	14,430.8	6,112.9	20.5%	220,993.6	137,549.8	83,443.8	62.2%	279.7%
2026	31,200.7	14,978.6	6,708.2	21.5%	228,466.3	143,541.1	84,925.2	62.8%	272.2%
2027	32,650.8	15,535.9	7,017.7	21.5%	236,194.2	149,932.3	86,261.9	63.5%	264.2%
2028	34,165.1	16,105.9	7,342.0	21.5%	244,197.5	156,759.5	87,438.0	64.2%	255.9%
2029	35,747.8	16,684.5	7,682.2	21.5%	252,504.8	164,063.5	88,441.3	65.0%	247.4%
2030	37,400.2	17,187.8	8,034.7	21.5%	261,124.3	171,891.6	89,232.7	65.8%	238.6%
2031	39,128.7	17,913.5	8,405.0	21.5%	270,071.1	180,289.0	89,782.1	66.8%	229.5%
2032	40,934.6	18,557.8	8,798.6	21.5%	279,365.1	189,318.5	90,046.6	67.8%	220.0%
2033	42,820.2	19,210.1	9,215.6	21.5%	289,043.6	199,042.5	90,001.1	68.9%	210.2%
2034	44,795.2	19,863.1	9,646.3	21.5%	299,156.1	209,535.9	89,620.2	70.0%	200.1%
2035	46,860.3	20,553.3	10,092.4	21.5%	309,707.0	220,894.2	88,812.8	71.3%	189.5%
2036	49,017.8	21,269.3	10,558.7	21.5%	320,720.4	233,178.6	87,541.8	72.7%	178.6%
2037	51,270.6	22,014.3	11,045.6	21.5%	332,219.5	246,453.1	85,766.4	74.2%	167.3%
2038	53,628.2	22,767.0	11,555.2	21.5%	344,258.7	260,812.6	83,446.1	75.8%	155.6%
2039	56,101.3	23,447.1	12,090.0	21.5%	356,869.3	276,388.8	80,480.5	77.4%	143.5%
2040	58,676.9	24,382.1	12,647.1	21.5%	370,056.4	293,255.6	76,800.8	79.2%	130.9%
2041	61,367.1	25,247.3	13,229.1	21.5%	383,854.2	311,534.4	72,319.8	81.2%	117.8%
2042	64,175.7	26,140.2	13,836.9	21.5%	398,303.0	331,341.7	66,961.3	83.2%	104.3%
2043	67,107.1	27,046.9	14,471.5	21.5%	413,462.6	352,834.2	60,628.4	85.3%	90.3%
2044	70,166.6	27,993.1	15,133.8	21.5%	429,370.8	376,155.8	53,215.0	87.6%	75.8%
2045	73,354.5	28,999.5	15,824.3	21.5%	446,045.7	401,441.1	44,604.6	90.0%	60.8%

APPENDIX C

FUNDING PROJECTIONS FOR THE TEACHERS RETIREMENT SYSTEM Projections Based on Laws in Effect on June 30, 2005 (\$ in millions)									
Fiscal Year	Annual Payroll	Benefit Payout	Total Employer Contribution	Employer Contribution as a % of Payroll	Accrued Liability	Assets	Unfunded Liabilities	Funded Ratio	Unfunded Liabilities as a % of Payroll
2006	7,369.3	3,127.0	601.9	8.2%	59,268.3	35,253.5	24,014.8	59.5%	325.88%
2007	7,729.1	3,341.8	825.1	10.7%	62,525.3	36,587.4	25,937.9	58.5%	335.59%
2008	8,072.0	3,533.7	1,140.9	14.1%	65,895.4	38,073.0	27,822.4	57.8%	344.68%
2009	8,456.7	3,720.8	1,487.7	17.6%	69,400.6	39,899.3	29,501.3	57.5%	348.85%
2010	8,873.1	3,936.2	1,867.7	21.0%	73,015.6	42,127.2	30,888.4	57.7%	348.11%
2011	9,289.0	4,178.0	1,955.3	21.0%	76,718.3	44,435.9	32,282.4	57.9%	347.53%
2012	9,701.8	4,441.8	2,042.2	21.0%	80,490.4	46,788.2	33,702.2	58.1%	347.38%
2013	10,124.1	4,726.4	2,131.1	21.0%	84,315.2	49,197.0	35,118.2	58.3%	346.88%
2014	10,561.9	5,022.3	2,223.2	21.0%	88,187.3	51,637.8	36,549.5	58.6%	346.05%
2015	11,020.5	5,323.4	2,319.8	21.0%	92,109.1	54,115.7	37,993.4	58.8%	344.75%
2016	11,506.8	5,627.7	2,422.1	21.0%	95,883.6	56,642.8	39,240.8	59.1%	341.02%
2017	12,026.4	5,928.9	2,531.5	21.0%	99,730.9	59,238.2	40,492.7	59.4%	336.70%
2018	12,578.3	6,229.3	2,647.7	21.0%	103,666.5	61,922.8	41,743.7	59.7%	331.87%
2019	13,163.9	6,528.7	2,770.9	21.0%	107,707.5	64,717.0	42,990.5	60.1%	326.58%
2020	13,787.9	6,828.0	2,902.3	21.0%	111,870.6	67,643.2	44,227.4	60.5%	320.77%
2021	14,450.0	7,125.9	3,041.7	21.0%	116,175.8	70,725.5	45,450.3	60.9%	314.53%
2022	15,151.6	7,422.9	3,189.3	21.0%	120,645.1	73,990.8	46,654.3	61.3%	307.92%
2023	15,895.2	7,723.8	3,345.9	21.0%	125,297.0	77,469.5	47,827.5	61.8%	300.89%
2024	16,682.0	8,027.7	3,511.5	21.0%	130,152.9	81,190.2	48,962.7	62.4%	293.51%
2025	17,513.1	8,339.0	3,386.4	19.3%	135,229.3	85,180.2	50,049.1	63.0%	285.78%
2026	18,390.7	8,660.3	3,871.2	21.0%	140,542.5	89,469.8	51,072.7	63.7%	277.71%
2027	19,321.7	8,995.1	4,067.1	21.0%	146,105.2	94,092.0	52,013.2	64.4%	269.20%
2028	20,291.1	9,345.5	4,271.2	21.0%	151,928.3	99,065.7	52,862.6	65.2%	260.52%
2029	21,300.4	9,710.9	4,483.6	21.0%	158,025.9	104,407.7	53,618.2	66.1%	251.72%
2030	22,352.6	10,097.2	4,705.1	21.0%	164,404.8	110,154.9	54,249.9	67.0%	242.70%
2031	23,449.5	10,509.4	4,936.0	21.0%	171,067.7	116,327.6	54,740.1	68.0%	233.44%
2032	24,592.6	10,944.5	5,176.6	21.0%	178,021.2	122,955.6	55,065.6	69.1%	223.91%
2033	25,784.3	11,396.3	5,427.5	21.0%	185,282.0	130,061.3	55,220.7	70.2%	214.16%
2034	27,031.5	11,857.2	5,690.0	21.0%	192,877.4	137,687.9	55,189.5	71.4%	204.17%
2035	28,337.9	12,348.9	5,965.0	21.0%	200,806.2	145,910.9	54,895.3	72.7%	193.72%
2036	29,698.4	12,870.2	6,251.4	21.0%	209,072.5	154,753.1	54,319.4	74.0%	182.90%
2037	31,119.9	13,419.5	6,550.6	21.0%	217,685.5	164,242.6	53,442.9	75.4%	171.73%
2038	32,610.9	13,976.5	6,864.4	21.0%	226,682.3	174,434.4	52,247.9	77.0%	160.22%
2039	34,180.8	14,558.0	7,194.9	21.0%	236,079.6	185,419.4	50,660.2	78.5%	148.21%
2040	35,819.6	15,180.4	7,539.9	21.0%	245,878.8	197,238.8	48,640.0	80.2%	135.79%
2041	37,531.4	15,828.0	7,900.2	21.0%	256,100.0	209,968.2	46,131.8	82.0%	122.92%
2042	39,319.5	16,496.7	8,276.6	21.0%	266,769.0	223,675.2	43,093.8	83.8%	109.60%
2043	41,187.6	17,171.4	8,669.8	21.0%	277,931.2	238,463.9	39,467.3	85.8%	95.82%
2044	43,139.9	17,875.5	9,080.7	21.0%	289,611.3	254,424.0	35,187.3	87.9%	81.57%
2045	45,179.7	18,618.8	9,510.1	21.0%	301,825.9	271,643.4	30,182.5	90.0%	66.81%

APPENDIX D

FUNDING PROJECTIONS FOR THE STATE EMPLOYEES RETIREMENT SYSTEM Projections Based on Laws in Effect on June 30, 2005 (\$ in millions)									
Fiscal Year	Annual Payroll	Benefit Payout	Total Employer Contribution	Employer Contribution as a % of Payroll	Accrued Liability	Assets	Unfunded Liabilities	Funded Ratio	Unfunded Liabilities as a % of Payroll
2006	3,484.3	1,112.0	203.8	5.8%	20,185.4	10,643.0	9,542.4	52.7%	273.87%
2007	3,631.6	1,145.0	344.2	9.5%	21,130.3	10,925.0	10,205.3	51.7%	281.01%
2008	3,784.6	1,184.3	483.5	12.8%	22,137.7	11,344.3	10,793.4	51.2%	285.19%
2009	3,938.0	1,231.5	633.1	16.1%	23,203.1	11,915.0	11,288.1	51.4%	286.65%
2010	4,104.1	1,287.3	815.8	19.9%	24,321.2	12,676.1	11,645.1	52.1%	283.74%
2011	4,272.5	1,352.7	849.1	19.9%	25,484.3	13,478.3	12,006.0	52.9%	281.01%
2012	4,441.1	1,427.2	882.6	19.9%	26,685.0	14,315.7	12,369.3	53.6%	278.52%
2013	4,612.8	1,509.9	916.7	19.9%	27,917.2	15,183.7	12,733.5	54.4%	276.05%
2014	4,789.5	1,598.1	951.8	19.9%	29,177.9	16,080.4	13,097.5	55.1%	273.46%
2015	4,972.6	1,693.9	988.2	19.9%	30,461.0	17,002.0	13,459.0	55.8%	270.66%
2016	5,161.6	1,796.2	1,025.8	19.9%	31,761.5	17,945.4	13,816.1	56.5%	267.67%
2017	5,354.4	1,902.7	1,064.1	19.9%	33,076.6	18,909.0	14,167.6	57.2%	264.60%
2018	5,554.4	2,013.5	1,103.8	19.9%	34,404.2	19,892.0	14,512.2	57.8%	261.27%
2019	5,764.5	2,127.0	1,145.6	19.9%	35,743.6	20,896.0	14,847.6	58.5%	257.57%
2020	5,981.5	2,245.8	1,188.7	19.9%	37,090.0	21,918.9	15,171.1	59.1%	253.63%
2021	6,209.9	2,366.7	1,234.1	19.9%	38,443.0	22,963.3	15,479.7	59.7%	249.27%
2022	6,446.3	2,490.9	1,281.1	19.9%	39,800.2	24,029.5	15,770.7	60.4%	244.65%
2023	6,691.6	2,616.1	1,329.8	19.9%	41,162.1	25,120.8	16,041.3	61.0%	239.72%
2024	6,949.4	2,741.5	1,381.1	19.9%	42,530.7	26,242.2	16,288.5	61.7%	234.39%
2025	7,200.4	2,870.5	1,431.0	19.9%	43,901.5	27,391.1	16,510.4	62.4%	229.30%
2026	7,461.6	2,998.3	1,482.9	19.9%	45,277.7	28,573.7	16,704.0	63.1%	223.87%
2027	7,735.2	3,125.7	1,537.2	19.9%	46,661.9	29,796.5	16,865.4	63.9%	218.03%
2028	8,018.5	3,250.7	1,593.5	19.9%	48,060.0	31,068.0	16,992.0	64.6%	211.91%
2029	8,315.2	3,371.7	1,652.5	19.9%	49,481.0	32,400.1	17,080.9	65.5%	205.42%
2030	8,623.4	3,493.5	1,713.8	19.9%	50,927.4	33,800.2	17,127.2	66.4%	198.61%
2031	8,946.7	3,611.8	1,778.0	19.9%	52,408.5	35,281.8	17,126.7	67.3%	191.43%
2032	9,283.7	3,729.7	1,845.0	19.9%	53,929.5	36,855.8	17,073.7	68.3%	183.91%
2033	9,634.2	3,843.7	1,914.6	19.9%	55,501.1	38,537.9	16,963.2	69.4%	176.07%
2034	9,999.6	3,954.1	1,987.3	19.9%	57,134.8	40,344.8	16,790.0	70.6%	167.91%
2035	10,377.4	4,067.5	2,062.3	19.9%	58,834.2	42,287.5	16,546.7	71.9%	159.45%
2036	10,772.2	4,180.5	2,140.8	19.9%	60,608.0	44,382.4	16,225.6	73.2%	150.62%
2037	11,180.7	4,294.4	2,222.0	19.9%	62,463.1	46,645.2	15,817.9	74.7%	141.48%
2038	11,603.4	4,410.2	2,306.0	19.9%	64,406.6	49,091.9	15,314.7	76.2%	131.98%
2039	12,039.9	4,528.8	2,392.7	19.9%	66,444.4	51,738.9	14,705.5	77.9%	122.14%
2040	12,488.6	4,655.6	2,481.9	19.9%	68,576.4	54,598.0	13,978.4	79.6%	111.93%
2041	12,953.1	4,787.2	2,574.2	19.9%	70,806.8	57,686.5	13,120.3	81.5%	101.29%
2042	13,432.5	4,924.1	2,669.5	19.9%	73,139.2	61,022.0	12,117.2	83.4%	90.21%
2043	13,927.9	5,065.9	2,767.9	19.9%	75,578.8	64,624.9	10,953.9	85.5%	78.65%
2044	14,438.6	5,213.9	2,869.4	19.9%	78,129.3	68,515.4	9,613.9	87.7%	66.58%
2045	14,963.0	5,374.1	2,973.7	19.9%	80,787.6	72,708.8	8,078.8	90.0%	53.99%

APPENDIX E

FUNDING PROJECTIONS FOR THE STATE UNIVERSITIES RETIREMENT SYSTEM Projections Based on Laws in Effect on June 30, 2005 (\$ in millions)									
Fiscal Year	Annual Payroll	Benefit Payout	Total Employer Contribution	Employer Contribution as a % of Payroll	Accrued Liability	Assets	Unfunded Liabilities	Funded Ratio	Unfunded Liabilities as a % of Payroll
2006	2,810.7	1,232.8	131.8	4.7%	21,398.2	13,572.4	7,825.8	63.4%	278.43%
2007	2,873.4	1,299.8	211.6	7.4%	22,461.6	13,832.0	8,629.6	61.6%	300.33%
2008	2,944.8	1,374.4	370.9	12.6%	23,530.9	14,207.9	9,323.0	60.4%	316.59%
2009	3,018.0	1,452.3	546.8	18.1%	24,602.9	14,723.8	9,879.1	59.8%	327.34%
2010	3,090.2	1,534.1	730.5	23.6%	25,672.8	15,395.8	10,277.0	60.0%	332.57%
2011	3,163.8	1,622.6	747.9	23.6%	26,733.9	16,056.9	10,677.0	60.1%	337.47%
2012	3,241.9	1,717.6	766.3	23.6%	27,778.5	16,701.0	11,077.5	60.1%	341.70%
2013	3,323.6	1,815.4	785.6	23.6%	28,803.0	17,325.0	11,478.0	60.1%	345.35%
2014	3,411.0	1,917.5	806.3	23.6%	29,802.8	17,924.4	11,878.4	60.1%	348.24%
2015	3,503.3	2,018.3	828.1	23.6%	30,776.9	18,500.1	12,276.8	60.1%	350.44%
2016	3,598.2	2,118.3	850.5	23.6%	31,654.4	19,051.9	12,602.5	60.2%	350.24%
2017	3,695.6	2,220.4	873.6	23.6%	32,503.3	19,576.4	12,926.9	60.2%	349.79%
2018	3,800.9	2,323.0	898.5	23.6%	33,322.3	20,073.3	13,249.0	60.2%	348.58%
2019	3,913.3	2,424.2	925.0	21.1%	34,112.0	20,544.1	13,567.9	60.2%	346.71%
2020	4,030.5	2,524.3	952.7	23.6%	34,871.8	20,989.2	13,882.6	60.2%	344.44%
2021	4,156.0	2,621.5	982.4	23.6%	35,604.5	21,412.2	14,192.3	60.1%	341.49%
2022	4,287.4	2,716.3	1,013.5	23.6%	36,312.1	21,815.8	14,496.3	60.1%	338.11%
2023	4,425.3	2,810.1	1,046.1	23.6%	36,995.1	22,201.4	14,793.7	60.0%	334.30%
2024	4,571.5	2,902.0	1,080.6	23.6%	37,655.3	22,572.3	15,083.0	59.9%	329.94%
2025	4,773.6	2,992.9	1,128.4	23.6%	38,296.5	22,946.6	15,349.9	59.9%	321.56%
2026	4,989.9	3,080.4	1,179.5	23.6%	38,923.4	23,332.8	15,590.6	59.9%	312.44%
2027	5,219.3	3,164.0	1,231.0	23.6%	39,541.9	23,737.6	15,804.3	60.0%	302.80%
2028	5,464.0	3,246.5	1,286.6	23.5%	40,155.2	24,169.1	15,986.1	60.2%	292.57%
2029	5,723.1	3,326.4	1,346.9	23.5%	40,768.3	24,638.5	16,129.8	60.4%	281.84%
2030	5,996.7	3,408.7	1,407.5	23.5%	41,379.9	25,148.1	16,231.8	60.8%	270.68%
2031	6,285.9	3,490.5	1,473.5	23.4%	41,992.7	25,708.5	16,284.2	61.2%	259.06%
2032	6,591.5	3,567.9	1,549.6	23.5%	42,614.5	26,340.7	16,273.8	61.8%	246.89%
2033	6,913.9	3,640.3	1,636.0	23.7%	43,254.5	27,068.0	16,186.5	62.6%	234.12%
2034	7,254.3	3,707.5	1,720.7	23.7%	43,922.9	27,903.8	16,019.1	63.5%	220.82%
2035	7,612.2	3,777.5	1,805.6	23.7%	44,621.1	28,855.9	15,765.2	64.7%	207.10%
2036	7,990.4	3,843.7	1,895.3	23.7%	45,359.8	29,945.0	15,414.8	66.0%	192.92%
2037	8,388.3	3,909.3	1,989.7	23.7%	46,145.8	31,189.9	14,955.9	67.6%	178.29%
2038	8,805.9	3,972.9	2,088.7	23.7%	46,988.1	32,612.2	14,375.9	69.4%	163.25%
2039	9,245.2	4,036.0	2,192.9	23.7%	47,894.8	34,234.8	13,660.0	71.5%	147.75%
2040	9,704.7	4,104.1	2,301.9	23.7%	48,868.8	36,076.4	12,792.4	73.8%	131.82%
2041	10,188.7	4,172.0	2,416.8	23.7%	49,919.4	38,163.6	11,755.8	76.5%	115.38%
2042	10,698.6	4,240.4	2,537.7	23.7%	51,056.4	40,525.3	10,531.1	79.4%	98.43%
2043	11,233.9	4,311.0	2,664.7	23.7%	52,288.2	43,191.2	9,097.0	82.6%	80.98%
2044	11,796.3	4,384.8	2,798.1	23.7%	53,623.2	46,192.7	7,430.5	86.1%	62.99%
2045	12,384.5	4,466.5	2,937.6	23.7%	55,065.1	49,558.5	5,506.6	90.0%	44.46%

SURS receives contributions from federal sources (reflected in the Total Employer Contribution column) which are assumed to increase with payroll. The Employer Contribution column includes contributions for the Self Managed Plan. All other columns apply only to SURS.

APPENDIX F

FUNDING PROJECTIONS FOR THE JUDGES RETIREMENT SYSTEM Projections Based on Laws in Effect on June 30, 2005 (\$ in millions)									
Fiscal Year	Annual Payroll	Benefit Payout	Total Employer Contribution	Employer Contribution as a % of Payroll	Accrued Liability	Assets	Unfunded Liabilities	Funded Ratio	Unfunded Liabilities as a % of Payroll
2006	136.0	71.2	29.2	21.5%	1,299.6	580.7	718.9	44.7%	528.60%
2007	142.9	82.7	35.2	24.6%	1,367.0	592.8	774.2	43.4%	541.78%
2008	149.7	86.5	47.1	31.5%	1,438.1	614.9	823.2	42.8%	549.90%
2009	156.4	90.8	60.9	38.9%	1,512.7	649.3	863.4	42.9%	552.05%
2010	163.0	95.2	75.6	46.4%	1,590.9	697.9	893.0	43.9%	547.85%
2011	169.5	99.7	79.0	46.6%	1,673.5	749.9	923.6	44.8%	544.90%
2012	177.1	103.7	82.1	46.4%	1,759.2	805.9	953.3	45.8%	538.28%
2013	185.1	109.3	86.4	46.7%	1,848.6	865.9	982.7	46.8%	530.90%
2014	193.4	115.4	90.9	47.0%	1,941.2	929.9	1,011.3	47.9%	522.91%
2015	202.1	121.4	95.0	47.0%	2,038.2	997.8	1,040.4	49.0%	514.79%
2016	211.2	128.2	99.2	47.0%	2,138.4	1,069.6	1,068.8	50.0%	506.06%
2017	220.7	135.2	103.7	47.0%	2,242.3	1,145.4	1,096.9	51.1%	497.01%
2018	230.6	142.5	108.4	47.0%	2,350.5	1,225.7	1,124.8	52.1%	487.77%
2019	241.0	150.0	113.2	47.0%	2,463.2	1,310.6	1,152.6	53.2%	478.26%
2020	251.9	158.1	118.3	47.0%	2,580.0	1,400.5	1,179.5	54.3%	468.24%
2021	263.2	166.3	123.7	47.0%	2,701.6	1,495.6	1,206.0	55.4%	458.21%
2022	275.0	175.1	129.2	47.0%	2,827.9	1,596.3	1,231.6	56.4%	447.85%
2023	287.4	184.3	135.0	47.0%	2,959.3	1,702.8	1,256.5	57.5%	437.20%
2024	300.4	193.7	141.1	47.0%	3,095.9	1,815.7	1,280.2	58.6%	426.17%
2025	313.9	203.9	147.5	47.0%	3,237.6	1,935.1	1,302.5	59.8%	414.94%
2026	328.0	214.4	154.1	47.0%	3,384.7	2,061.5	1,323.2	60.9%	403.41%
2027	342.8	225.3	161.0	47.0%	3,537.5	2,195.4	1,342.1	62.1%	391.51%
2028	358.2	236.8	168.3	47.0%	3,695.9	2,337.2	1,358.7	63.2%	379.31%
2029	374.3	248.5	175.8	47.0%	3,860.6	2,487.8	1,372.8	64.4%	366.76%
2030	391.1	160.8	183.8	47.0%	4,031.4	2,647.6	1,383.8	65.7%	353.82%
2031	408.7	273.4	192.0	47.0%	4,209.1	2,817.5	1,391.6	66.9%	340.49%
2032	427.1	286.6	200.7	47.0%	4,393.6	2,998.2	1,395.4	68.2%	326.72%
2033	446.4	300.0	209.7	47.0%	4,585.7	3,190.8	1,394.9	69.6%	312.48%
2034	466.4	313.8	219.1	47.0%	4,785.7	3,396.3	1,389.4	71.0%	297.90%
2035	487.4	328.1	229.0	47.0%	4,994.2	3,616.0	1,378.2	72.4%	282.77%
2036	509.4	342.8	239.3	47.0%	5,211.7	3,850.9	1,360.8	73.9%	267.14%
2037	532.3	357.9	250.1	47.0%	5,438.8	4,102.4	1,336.4	75.4%	251.06%
2038	556.2	373.4	261.3	47.0%	5,676.2	4,372.2	1,304.0	77.0%	234.45%
2039	581.3	289.3	273.1	47.0%	5,924.6	4,661.8	1,262.8	78.7%	217.24%
2040	607.4	405.9	285.4	47.0%	6,184.8	4,973.0	1,211.8	80.4%	199.51%
2041	634.8	422.9	298.2	47.0%	6,457.5	5,307.5	1,150.0	82.2%	181.16%
2042	663.3	440.5	311.6	47.0%	6,743.6	5,667.4	1,076.2	84.0%	162.25%
2043	693.2	458.7	325.7	47.0%	7,043.9	6,054.9	989.0	86.0%	142.67%
2044	724.4	477.6	340.3	47.0%	7,359.4	6,472.2	887.2	87.9%	122.47%
2045	757.0	497.2	355.6	47.0%	7,691.0	6,921.9	769.1	90.0%	101.60%

APPENDIX G

FUNDING PROJECTIONS FOR THE GENERAL ASSEMBLY RETIREMENT SYSTEM Projections Based on Laws in Effect on June 30, 2005 (\$ in millions)									
Fiscal Year	Annual Payroll	Benefit Payout	Total Employer Contribution	Employer Contribution as a % of Payroll	Accrued Liability	Assets	Unfunded Liabilities	Funded Ratio	Unfunded Liabilities as a % of Payroll
2006	12.4	14.9	4.2	33.9%	215.9	80.3	135.6	37.2%	1093.55%
2007	12.7	17.6	5.2	40.9%	219.1	75.3	143.8	34.4%	1132.28%
2008	13.4	17.9	6.5	48.5%	222.6	71.1	151.5	31.9%	1130.60%
2009	14.1	18.1	8.0	56.7%	226.3	68.1	158.2	30.1%	1121.99%
2010	14.9	18.3	9.8	65.8%	230.3	66.4	163.9	28.8%	1100.00%
2011	15.7	18.6	10.4	66.2%	234.5	65.1	169.4	27.8%	1078.98%
2012	16.5	18.6	10.9	66.1%	238.9	64.2	174.7	26.9%	1058.79%
2013	17.3	18.7	11.5	66.5%	243.6	63.9	179.7	26.2%	1038.73%
2014	18.0	19.0	12.1	67.2%	248.7	64.0	184.7	25.7%	1026.11%
2015	18.9	19.3	12.7	67.2%	254.2	64.5	189.7	25.4%	1003.70%
2016	19.8	19.7	13.3	67.2%	260.0	65.4	194.6	25.2%	982.83%
2017	20.6	20.1	13.9	67.2%	266.2	66.6	199.6	25.0%	968.93%
2018	21.7	20.5	14.6	67.2%	272.7	68.4	204.3	25.1%	941.47%
2019	22.7	20.8	15.3	67.2%	279.7	70.8	208.9	25.3%	920.26%
2020	23.8	21.3	16.0	67.2%	287.1	73.8	213.3	25.7%	896.22%
2021	24.8	21.7	16.6	67.2%	295.0	77.3	217.7	26.2%	877.82%
2022	25.9	22.5	17.4	67.2%	303.0	81.3	221.7	26.8%	855.98%
2023	26.9	23.1	18.1	67.2%	311.3	85.9	225.4	27.6%	837.92%
2024	28.1	23.7	18.9	67.2%	319.9	91.1	228.8	28.5%	814.23%
2025	29.1	24.5	19.6	67.2%	328.7	96.8	231.9	29.4%	796.91%
2026	30.5	25.2	20.5	67.2%	338.0	103.3	234.7	30.6%	769.51%
2027	31.8	25.8	21.4	67.2%	347.7	110.8	236.9	31.9%	744.97%
2028	33.3	26.4	22.4	67.2%	358.1	119.5	238.6	33.4%	716.52%
2029	34.8	27.0	23.4	67.2%	369.0	129.4	239.6	35.1%	688.51%
2030	36.4	27.6	24.5	67.2%	380.8	140.8	240.0	37.0%	659.34%
2031	37.9	28.4	25.5	67.2%	393.1	153.6	239.5	39.1%	631.93%
2032	39.7	29.1	26.7	67.2%	406.3	168.2	238.1	41.4%	599.75%
2033	41.4	29.8	27.8	67.2%	420.3	184.5	235.8	43.9%	569.57%
2034	43.4	30.5	29.2	67.2%	435.3	203.1	232.2	46.7%	535.02%
2035	45.4	31.3	30.5	67.2%	451.3	223.9	227.4	49.6%	500.88%
2036	47.4	32.1	31.9	67.2%	468.4	247.2	221.2	52.8%	466.67%
2037	49.4	33.2	33.2	67.2%	486.3	273.0	213.3	56.1%	431.78%
2038	51.8	34.0	34.8	67.2%	505.5	301.9	203.6	59.7%	393.05%
2039	54.1	35.0	36.4	67.2%	525.9	333.9	192.0	63.5%	354.90%
2040	56.6	36.1	38.0	67.2%	547.6	369.4	178.2	67.5%	314.84%
2041	59.1	37.2	39.7	67.2%	570.5	408.6	161.9	71.6%	273.94%
2042	61.8	38.5	41.5	67.2%	594.8	451.8	143.0	76.0%	231.39%
2043	64.5	39.9	43.4	67.2%	620.5	499.3	121.2	80.5%	187.91%
2044	67.4	41.3	45.3	67.2%	647.6	551.5	96.1	85.2%	142.58%
2045	70.3	42.9	47.3	67.2%	676.1	608.5	67.6	90.0%	96.16%

APPENDIX H

PENSION OBLIGATION BONDS Debt Service Schedule (\$ in Millions)					
FY	Principle		Interest		Total Debt 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

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)

http://www.ilga.gov/commission/cgfa/cgfa_home.html