Wirepoints Special Report

February 2018

A dramatic rise in pension benefits – not funding shortfalls – caused Illinois' state pension crisis

By Ted Dabrowski and John Klingner

Table of Contents

Introduction

There's little argument that Illinois politicians are to blame for the state's massive pension crisis.[1]

However, *how* politicians caused the crisis has long been misunderstood. Critics on both sides of the aisle typically accuse politicians – and by extension, taxpayers – of shortchanging pensions.

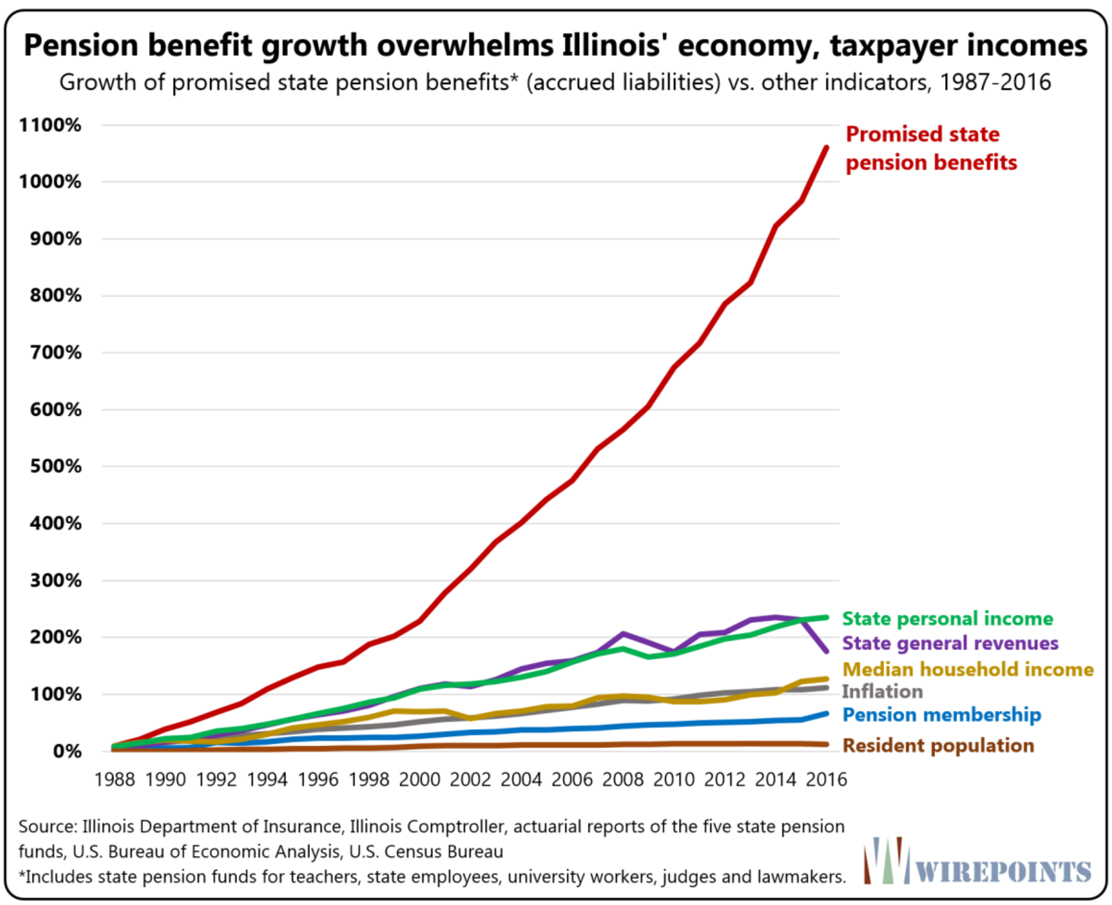
But a Wirepoints analysis reveals that too little money into pensions hasn't been the issue. Instead, it's the dramatic growth in pension benefits promised by politicians that's been bankrupting Illinois.[2]

Wirepoints analyzed Illinois pension and economic data stretching back to 1987 and also compared pension plans across the country from 2003-2015, using data from the [Illinois Department of Insurance] and [Pew Charitable Trusts].[3,4]

Wirepoints found that pension benefits have grown exponentially over the past 30 years.

Promised pension benefits in 2016 were 1,061 percent higher than they were three decades ago.[5] As the below graphic shows, no other measure of Illinois' economy comes even remotely close to matching the growth in promised benefits.

Those benefits are overwhelming the state's economy and taxpayers' ability to pay for them.



Total pension benefits have grown at an annually compounded rate of 8.8 percent over the past three decades. Compared to 1987, benefits have grown 1,061 percent.

That growth is six times more than total state general revenue growth (236 percent) over the same time period; eight times more than median household income growth (127 percent); and nearly ten times more than inflation (111 percent).

In fact, Illinois' pension benefits grew faster than in every other state in the nation except New Jersey and New Hampshire between 2003 and 2015, according to Wirepoints' analysis of Pew data.

By any measure, the pension promises made by Illinois politicians have been extreme and unsustainable.

Wirepoints' findings also dispel the claim that too little money in the pension plans caused the current crisis – state pension assets, buoyed by taxpayer contributions, have also grown exponentially since 1987.

Pension assets are seven times higher in 2016 than they were 30 years ago. They've grown five times more than household incomes over the entire period and nearly six times more than inflation.

And in the 2003-2015 period, Illinois assets grew the seventh-fastest of any state in the nation.

Illinois, and by extension, its taxpayers, have made more than their fair share of contributions to state pensions. Illinoisans have so far contributed $24 billion more to pensions than what Governor Jim Edgar's 1996 contribution schedule – the "Edgar ramp" – originally asked for.

Illinois' out-of-control pension crisis wasn't inevitable. In fact, if state pension benefits had simply grown at the more moderate pace of its neighbors since 2003, the state's unfunded pension liability would be $40 billion to $85 billion lower today.

And if pension benefits had grown at the rate of 5.4 percent from 1987 on – still a rapid growth rate – Illinois pensions would be fully funded today. There would be no crisis.

Wirepoints' analysis shows the common narrative surrounding Illinois' pension crisis – that pensions have suffered from underfunding – is false. The problem is, and always has been, the enormous growth in benefits that politicians have promised to workers.

Politicians should stop guilting Illinois residents into thinking that the only way to fix pensions is through tax hikes and bigger pension contributions.

Instead, lawmakers should pull every lever they can to get the state's excessive growth in pension benefits under control.

Report findings

By any measure, the growth in pension benefits accumulated by government workers and retirees in Illinois has been overwhelming. It's been the cause of Illinois' pension crisis.

- **Since 1987, total state pension benefits owed to workers have grown multiple times faster than any other measure of the economy.** Total benefits have grown at an annually compounded rate of 8.8 percent over the past three decades. Compared to 1987, pension benefits are up 1,061 percent, which is:
    - 6 times more than total state general revenue growth (236 percent) over the same time period;
    - 8.4 times more than median household income growth (127 percent); and
    - 9.5 times faster than inflation (111 percent).

  In 1987, households were on the hook for $4,300 in promised pension benefits. That amount swelled to over $43,000 per household by 2016.

- **Illinois had the third-highest pension benefit growth in the nation, higher than all its peer states.** Between 2003 and 2015, the Illinois legislature allowed benefits to grow at a 7.5 percent annual pace, according to Pew Charitable Trusts. That's higher than all of Illinois' neighbors and the nation's ten largest states. The 50-state average was 5.5 percent per year.

  In contrast, Wisconsin's accrued benefits grew just 3 percent annually over that time period. Indiana's grew 5 percent annually. The slowest growth of the ten-largest states in the U.S. was in Michigan, which grew just 3.3 percent a year.

A lack of money has not been the cause of the pension crisis. Illinois' pension assets have grown at a rapid pace, far outstripping the growth of other Illinois economic indicators and pension assets in other states.

- **Since 1987, state pension assets have grown multiple times faster than any other measure of the economy.** Total assets have grown at an annually compounded rate of 7.2 percent over the past three decades. Compared to 1987, total pension assets are up 644 percent. That total asset growth is:
    - 2.7 times more than total state revenue growth (236 percent) over the same time period;
    - 5.1 times more than median household income growth (127 percent); and
    - 5.8 times faster than inflation (111 percent).

- **Illinois had the seventh-highest pension asset growth in the nation, higher than all its peer states.** Between 2003 and 2015, Illinois' pension assets grew at a 5.9 percent annual pace, according to Pew Charitable Trusts. That's higher than all of Illinois' neighbors and the nation's ten-largest states. The 50-state average was 3.7 percent per year.

  In contrast, Indiana's assets grew 4.4 percent annually and Wisconsin's grew 2.9 percent. Other peer states, including Michigan, Kentucky, and Pennsylvania all experienced asset growth of less than 1 percent a year over the same period.

Fast-growing pension assets simply haven't been able to keep up with the pace of benefit growth in Illinois. With a lower rate of benefit growth, Illinois would not have a pension crisis.

- **Taxpayers have paid more than their fair share to pensions**. Increasingly burdensome contributions have helped assets grow rapidly since 1987. Illinoisans have put $24 billion more into pensions than the original 1996 Edgar ramp required. As a result, pension costs now consume more than a quarter of the state's general budget.

- **Illinois' pension crisis would be far smaller if benefits had grown at a more reasonable pace.** Wirepoints' analysis shows that if Illinois benefits had simply grown at a more moderate pace since 2003, the state's pension shortfall would be $40 to $85 billion lower today. And if pension benefits had grown 5.4 percent annually since 1987, the state pension systems would be fully funded today.

Pension benefits have grown multiple times faster than the economy

The growth in pension benefits accumulated by Illinois government workers and retirees over the past three decades has been unsustainable.

Promised state pension benefits have grown at an average pace of 8.8 percent annually since 1987. In total, that's a 1,061 percent increase – far greater than any major measure of the state's economy over the same period.

Total pension benefits equaled $208 billion in 2016. That's up from just $18 billion in 1987, the earliest year for which the Illinois Department of Insurance provides Illinois pension data.[6]

In 1987, Illinois households were on the hook for $4,300 in promised pension benefits. By 2016 that amount had swelled to over $43,000 per household.

Illinois pension benefits have grown 8.8 percent annually since 1987

Pension benefits (accrued liabilities) of the five state pension funds (in billions)

1987 vs. 2016

Pension fund	1987	2016	Annual growth rate	Total growth, 1987-2016
TRS	$9.9	$118.6	8.9%	1092%
SERS	$3.4	$45.5	9.4%	1254%
SURS	$4.2	$40.9	8.1%	866%
JRS	$0.3	$2.5	7.6%	729%
GARS	$0.1	$0.4	6.4%	499%
Total	**$17.9**	**$208.0**	**8.8%**	**1061%**

Source: Illinois Department of Insurance WIREPOINTS

All of the state's five pension systems – the Teachers' Retirement System (TRS), State Employees Retirement System (SERS), State Universities Retirement System (SURS), Judges Retirement System (JRS) and General Assembly Retirement System (GARS) – have experienced a massive growth in benefits (accrued liabilities) since 1987 (see appendix for details).

TRS pension benefits, which make up more than half of the state's total accrued liabilities, grew almost 1,100 percent between 1987 and 2016. SURS benefits on average grew 8.1 percent annually, or nearly 870 percent in total.

And SERS experienced the largest increase of any of the funds – over 1,250 percent over the past three decades.

That outsized growth in pensions becomes more apparent when it's compared to major measures of the state's economy.

Since 1987, pension benefits have grown 6 times more than state revenues, 8.4 times more than household incomes and 9.5 times more than inflation.

No business or government can remain solvent with such rapidly growing obligations, especially when that growth overwhelms any ability to pay for it.

Illinois pension benefits have grown far faster than state revenues, inflation, income, population

Total growth in state pension benefits (accrued liabilities) vs. other indicators

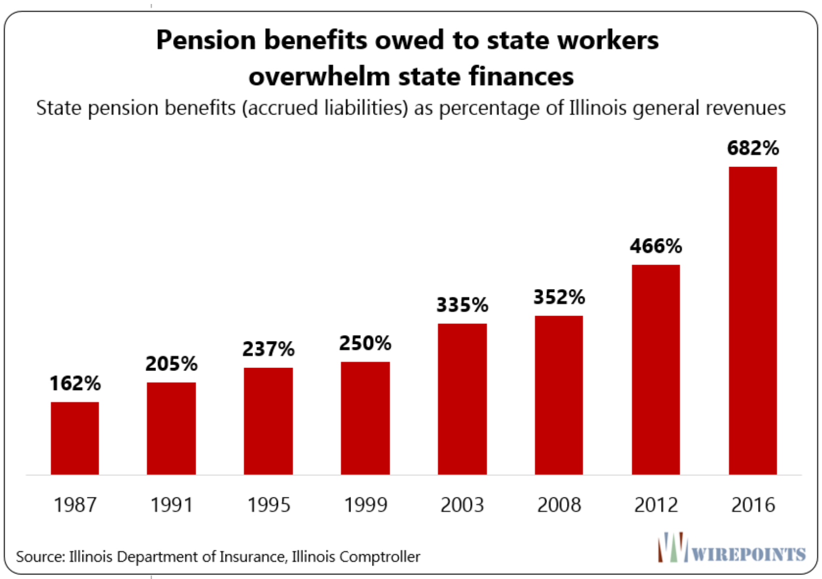
	Total growth, 1987-2016	How much more pension benefits have grown
State pension benefits	1061%	--
State personal income	236%	4.5 times more
State general revenues	176%	6 times more
Median household income	127%	8.4 times more
Inflation	111%	9.5 times more
State pension membership	67%	16 times more
Resident population	13%	84 times more

Source: Illinois Department of Insurance, Illinois Comptroller, actuarial reports of the five state pension funds, U.S. Bureau of Economic Analysis, U.S. Census Bureau

WIREPOINTS

Another way to measure the rise of pension benefits is to compare them to the state's financial resources. Liabilities that grow significantly compared to revenues will usually spell trouble over time.

In 1987, total pension benefits owed to workers were already 1.6 times more than the state's general fund revenues. By 2016, benefits grew to nearly seven times more than general fund revenues.[7]



With pension benefits outpacing every measure of Illinoisans' ability to pay for them, it's no wonder Illinois is in crisis, its taxpayers are fatigued and core government services are being slashed.

Illinois had the third-highest pension benefit growth in the nation

The growth in Illinois' state pension benefits hasn't just been overwhelming when compared to the state's economy. Illinois' pension benefits have also grown rapidly in comparison to other pension systems in states across the country.

In fact, Illinois pension benefits grew the third-fastest in the nation between 2003 and 2015.

The state's benefit growth outpaced every one of its neighbors and the nation's largest states, according to a Wirepoints analysis of Pew Charitable Trusts pension data.[8]

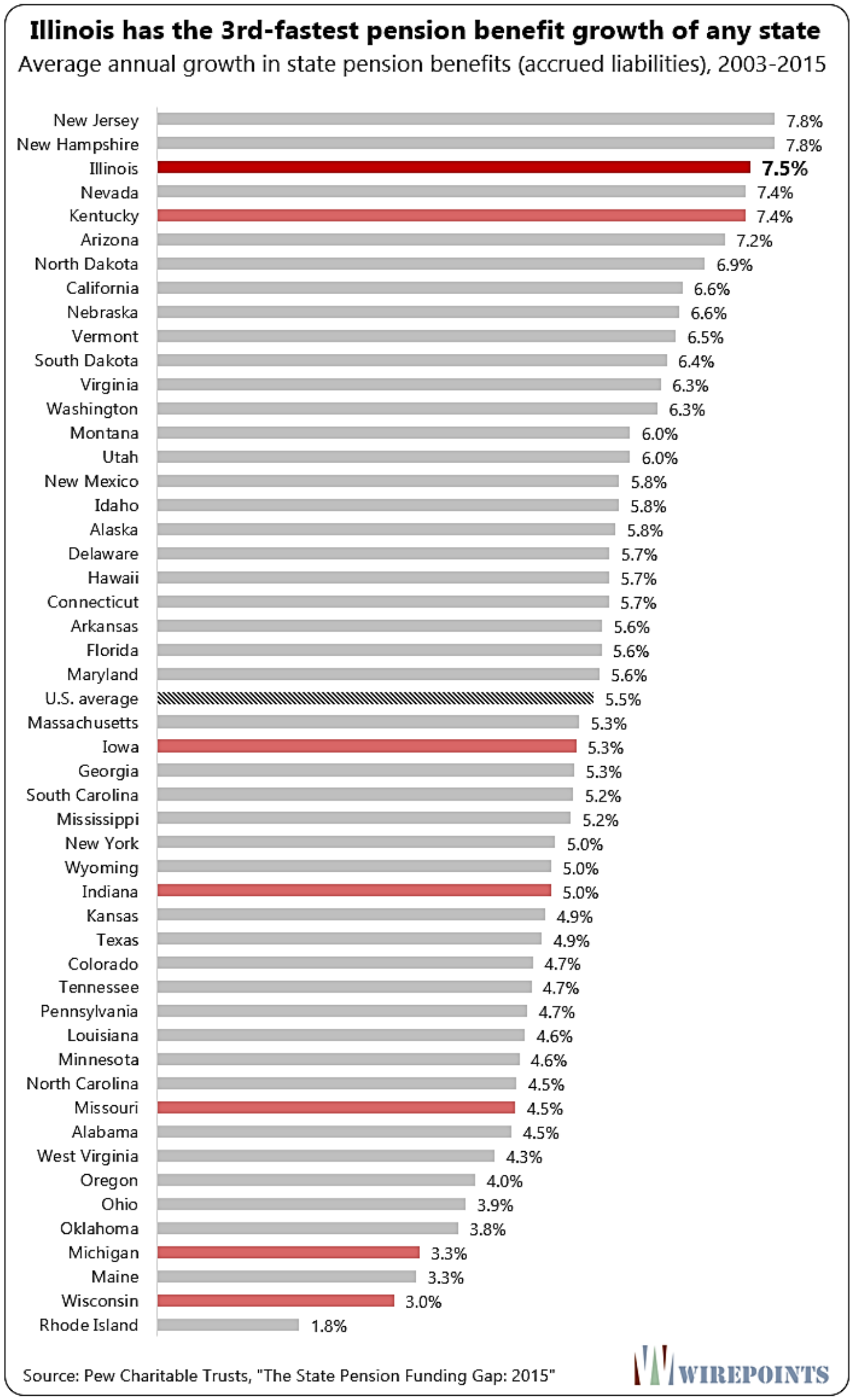
Nationally, only New Jersey and New Hampshire had faster growing pension benefits than Illinois.

In all, Illinois pension benefits grew 7.5 percent annually between 2003 and 2015. The 50-state average was 5.5 percent per year over the same period.

In contrast, Illinois' neighboring states had much slower pension-benefit growth.

Wisconsin's accrued benefits grew 3 percent annually between 2003 and 2015. Michigan's, 3.3 percent. Missouri's, 4.5 percent.

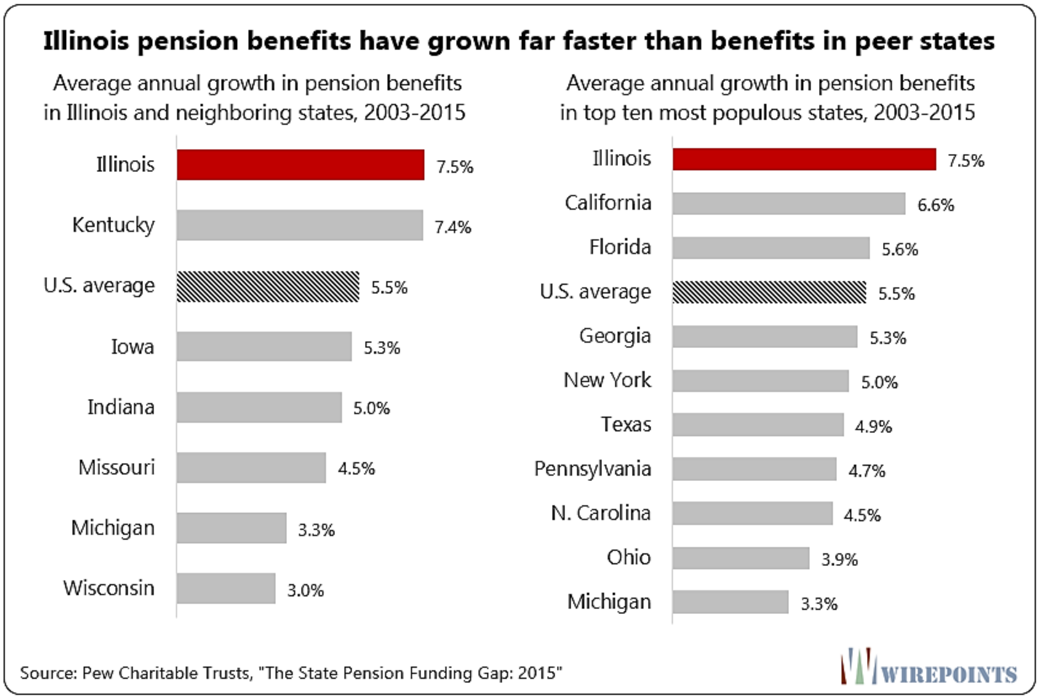
Kentucky, which is suffering a massive pension crisis of its own, was the only nearby state with pension growth



similar to Illinois. Its benefits grew 7.4 percent annually between 2003 and 2015.

Illinois' annual pension growth rate was also far greater than that in the nation's largest states. California's annual growth rate was the closest to Illinois at 6.6 percent. Florida's pensions grew 5.6 percent. New York's, 5 percent. Texas's, 4.9 percent.

The slowest pension growth of the ten-largest states was in Michigan, which grew at just 3.3 percent annually.



Remarkably, Illinois' pension benefits grew even faster prior to 2003, the first year of Pew's dataset. From 1987 to 2003, pension benefits in Illinois grew at an uncontrollable 10.1 percent a year.

Illinois pension benefit growth has been extreme no matter the time period.

What an 8.8 percent annual growth rate means

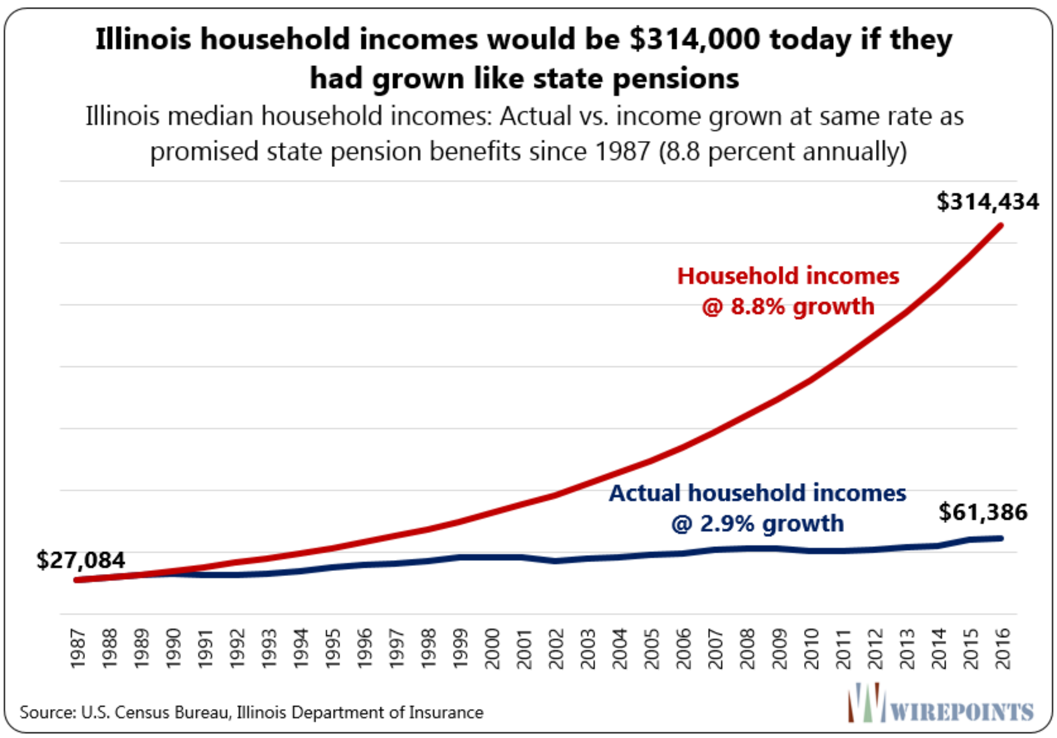
It's important to understand the tremendous impact that differences in growth rates – for example, the difference between a 5 percent and 9 percent – can have over a 30-year period. That variance can make the difference between a crisis and a stable situation. That's certainly been the case when it comes to Illinois pensions.

To understand how incredibly fast the state's pension benefits growth rate is, consider what that 8.8 annual growth rate would do to something more tangible, say household incomes, over a 30-year period.[9]

In 1987, the median household income in Illinois was $27,084.[10]

By 2016, the median household income had grown to $61,386. That translates to an average growth rate of 2.9 percent a year.

But if household incomes had grown at the same rate as state pension benefits they would have grown to $314,000 by 2016.



This case helps illustrate the problem the state faces with pension benefits. Pensions have grown at an unsustainable pace for a long period of time – way faster than taxpayer incomes. That's what has dragged Illinois into crisis.

Pension assets have grown multiple times faster than the economy

Contrary to most assumptions, Illinois' pension assets – buoyed by taxpayer contributions – have grown rapidly over the past three decades. Just like pension benefits, assets have grown far faster than any major measure of the state's economy.

The state's pension assets have grown 7.2 percent annually since 1987, increasing from just $11 billion in 1987 to nearly $82 billion today (see appendix for details).[11]

Illinois pension assets have grown 7.2 percent annually since 1987

Pension assets of the five state pension funds (in billions), 1987 vs. 2016

Pension Fund	1987	2016	Annual growth rate	Total growth, 1987-2016
TRS	$6.1	$47.2	7.3%	675%
SERS	$2.2	$15.6	7.0%	602%
SURS	$2.5	$17.7	7.0%	617%
JRS	$0.1	$0.9	6.5%	527%
GARS	$0.0	$0.1	1.9%	74%
Total	**$11.0**	**$81.5**	**7.2%**	**644%**

Source: Illinois Department of Insurance WIREPOINTS

The largest three of the state's five pension systems have, on average, experienced asset growth of 7 percent or more since 1987 (see appendix for details).

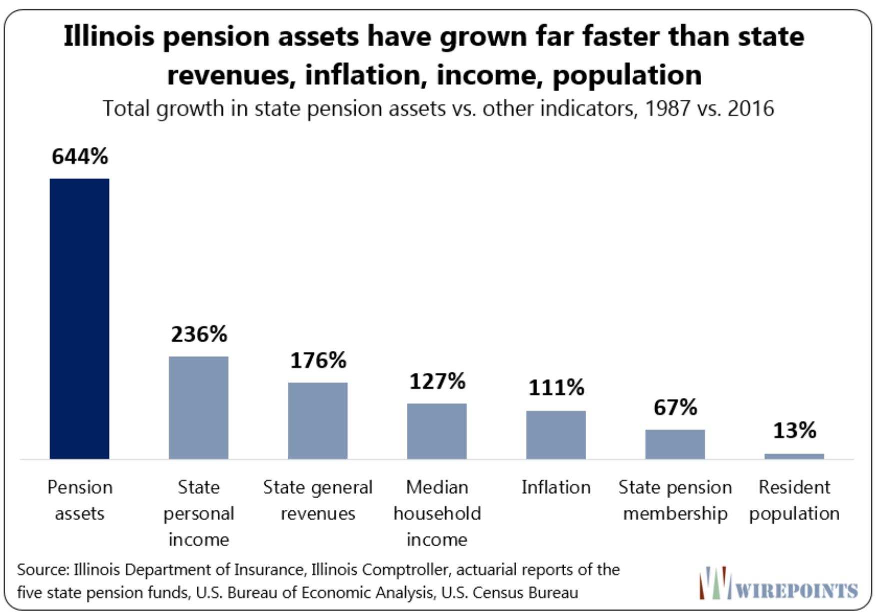
TRS, which makes up more than half of the state's asset total, experienced the largest increase.

On average, teachers' assets grew 7.3 percent annually, or 675 percent in total between 1987 and 2016.

That asset growth has been far greater compared to any major measure of the state's economy.

Over the past three decades, pension assets have grown by over 644 percent.

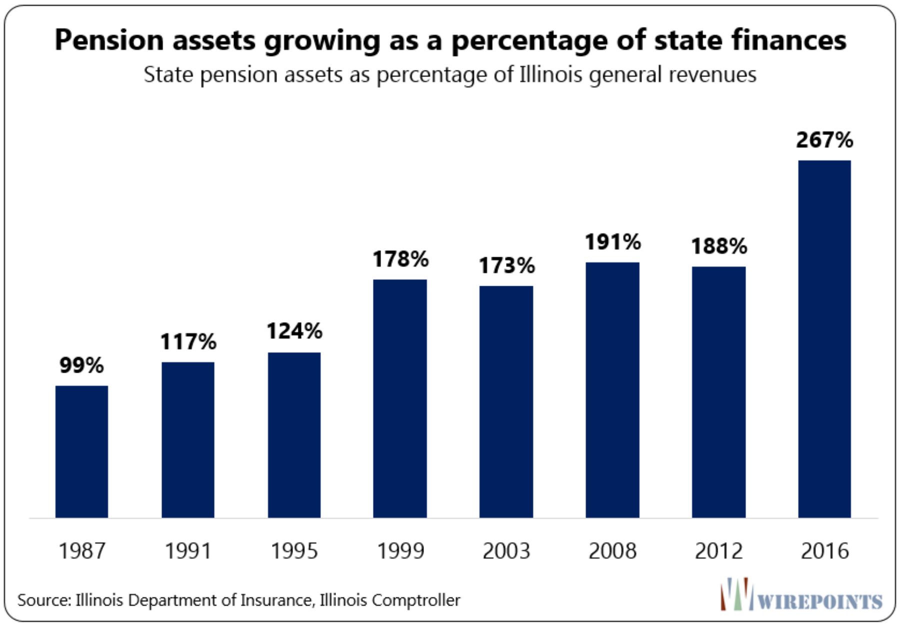
In contrast, state general revenues grew just 176 percent, state median household incomes grew 127 percent and inflation only grew 111 percent.



The only thing that's grown more rapidly than pension assets has been the pension benefits the state promised to workers.

Another way to measure the growth of pension assets is to compare them to the state's financial resources. Over time, pension assets have grown as a percentage of the state's revenues despite the worsening of the pension crisis.

In 1987, total pension assets equaled the state's general fund revenues. By 2016, assets had grown to be 2.7 times the size of revenues.[12]



In sum, Illinois' pension asset growth has been stellar relative to its economy. Unfortunately, pension benefits have been growing even faster.

Illinois had the seventh-highest pension asset growth in the nation

If Illinois' pension crisis was due to a lack of money, one would expect Illinois' pension assets to have grown poorly when compared to other states. But state-by-state pension data collected by Pew Charitable Trusts shows that's not the case.[13]

Illinois' pension assets grew 5.9 percent a year between 2003 and 2015, the seventh-fastest in the nation. The 50-state average was a much lower 3.7 percent.

Illinois' rapid asset growth has also outpaced all of its neighbors.

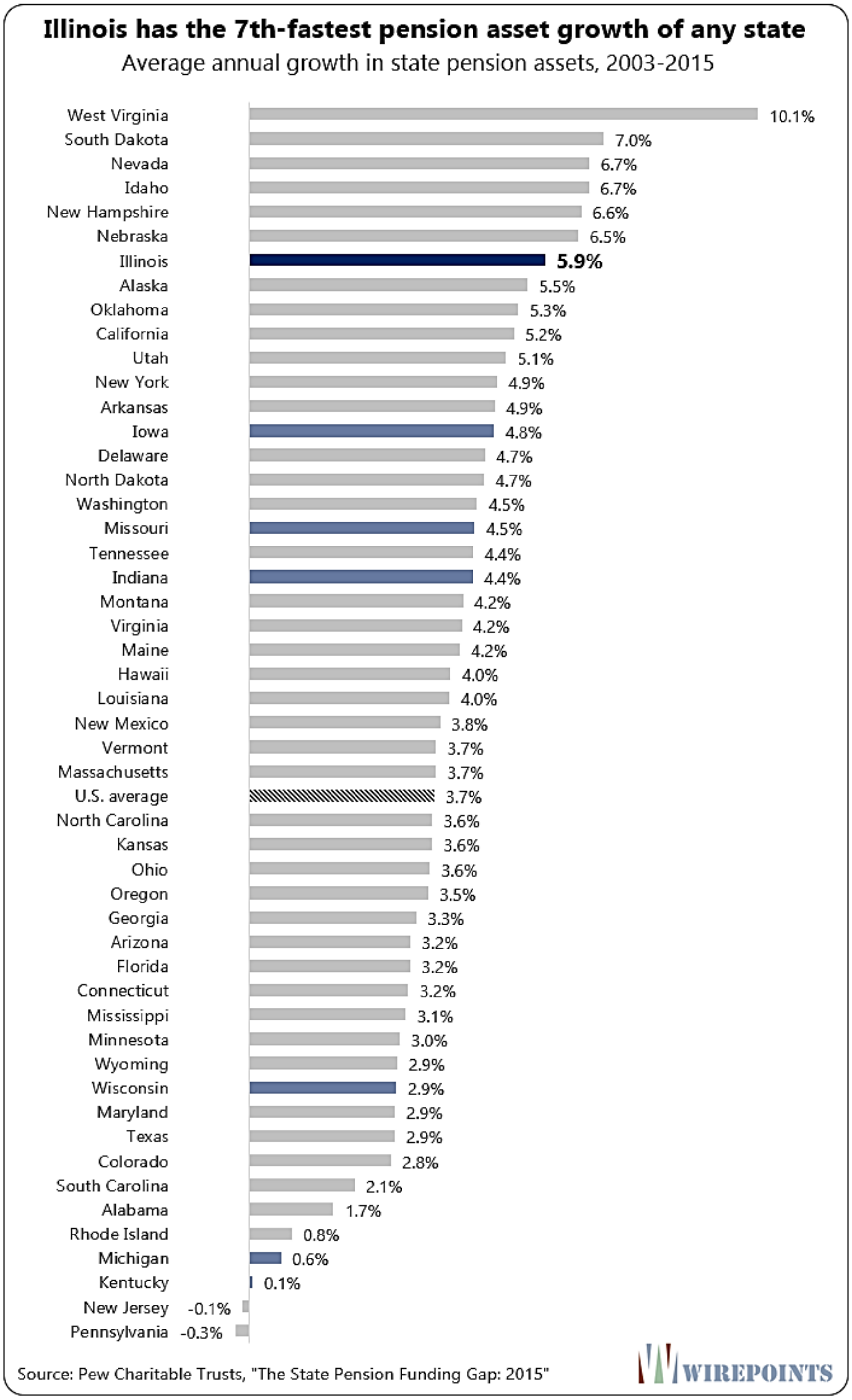
Iowa's assets grew 4.8 percent annually between 2003 and 2015, Indiana's grew 4.4 percent and Michigan's grew just 0.6 percent.

Kentucky, another state suffering from a massive pension crisis, saw its assets grow a scant 0.1 percent annually since 2003.

Illinois' asset growth was also unmatched by the other highly populated states in the nation.

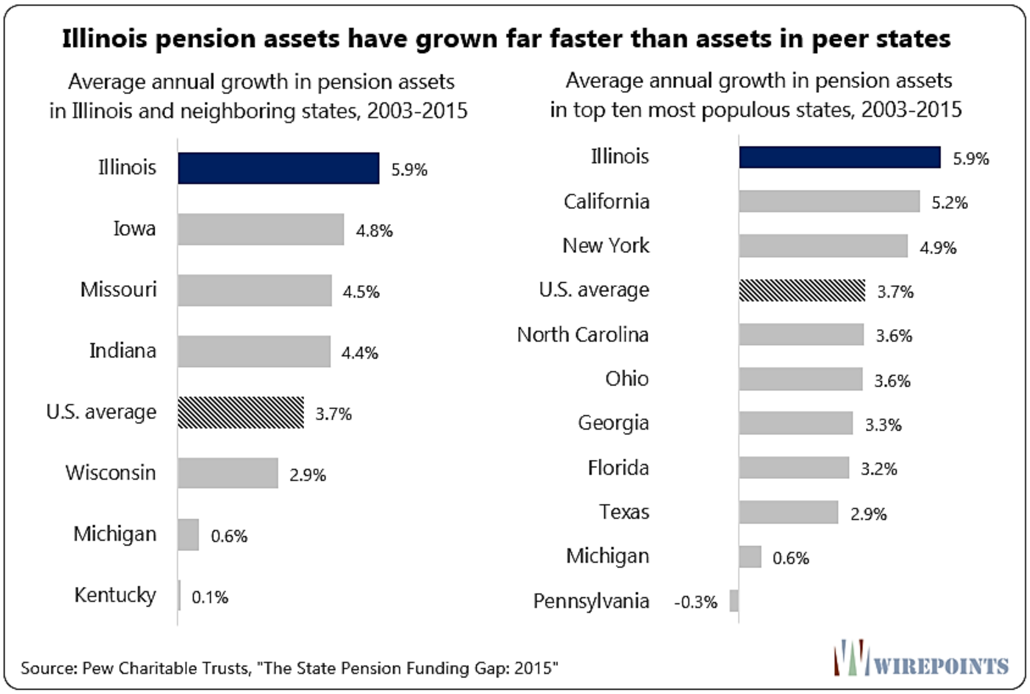
Of the top 10 biggest states, California's asset growth was the closest to Illinois at 5.2 percent. New York's grew 4.9 percent. Texas, just 2.9 percent.

Several of Illinois' peer states had terrible returns over the 12-year period.



Source: Pew Charitable Trusts, "The State Pension Funding Gap: 2015"

Michigan and Kentucky's assets didn't even grow one percent a year. And Pennsylvania actually experienced negative asset growth.



Illinois' pension assets experienced even faster growth in the years before Pew's analysis. Between 1987 and 2003, assets grew 9 percent annually.

That remarkably fast growth was only outpaced by benefits, which grew at an uncontrollable 10.1 percent a year in the same period.

Clearly, the real problem is that Illinois' pension assets simply haven't been able to keep pace with state's overwhelming pension benefit growth.

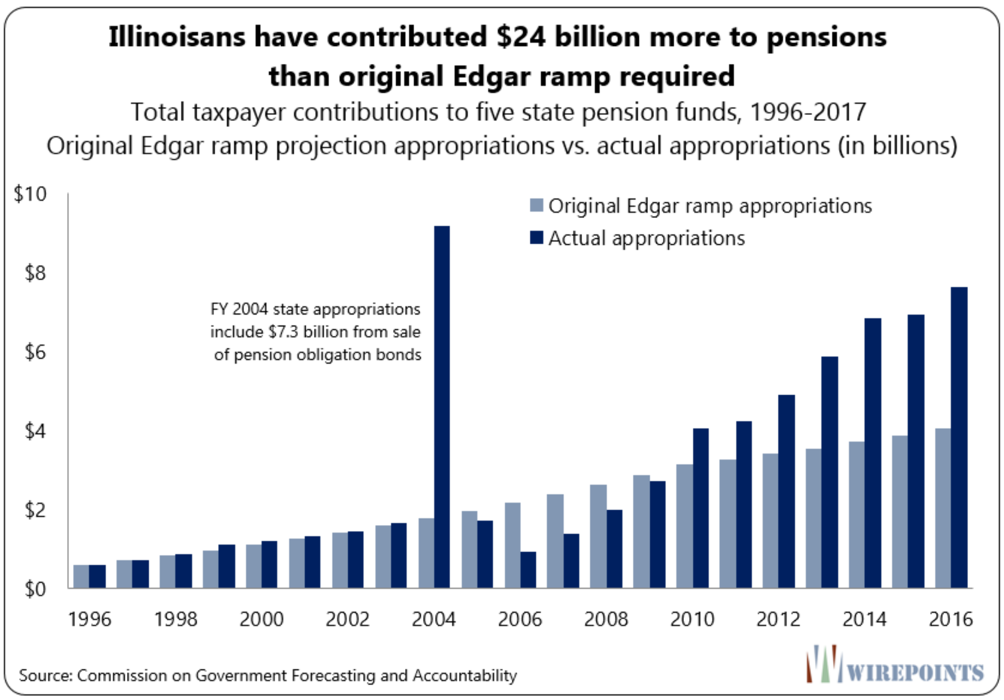
Taxpayers have paid more than their fair share into pensions

Illinois' high pension asset growth has been largely paid for by taxpayer contributions into the pension plans.

Most notable is the amount of funding put in by taxpayers since the implementation of the 1996 Edgar ramp – the pension funding plan introduced by Gov. Jim Edgar.[14]

The original ramp called for taxpayers to pay $52 billion into the pension systems from 1996 through 2017.[15]

But taxpayers have ended up contributing far more than that. Between 1996 and 2017, taxpayers put $75 billion into the pension funds, or $24 billion more than the original ramp called for. In 2017 alone, taxpayers will contribute nearly $4 billion more than the ramp required (see appendix for details).



It's those taxpayer contributions, in particular those from 2003 onward, that helped pension assets grow 5.9 percent a year during the 2003-2015 period – the seventh-fastest growth in the nation.

However, that growth in assets has come at a cost. Illinois' contributions to the pension funds have become so large that they now consume more than a quarter of the state's annual budget. That's left less funding available for other vital programs and social services.[16]

Illinois wouldn't have a crisis today if benefits had grown at a more reasonable pace

In 2003, Illinois' pension shortfall – its unfunded liability – reached $43 billion.[17]

Lawmakers had a choice. They could enact real pension reform to get the crisis under control, or simply kick the can down the road.

Unfortunately, politicians chose the kick and authorized a $10 billion pension bond. With no reforms in place, Illinois' accrued pension benefits grew the third fastest in the nation over the next 12 years.

That benefit growth fueled an ever-bigger hole in the pension fund. As a result, the state's pension shortfall tripled, growing to $130 billion by 2016.

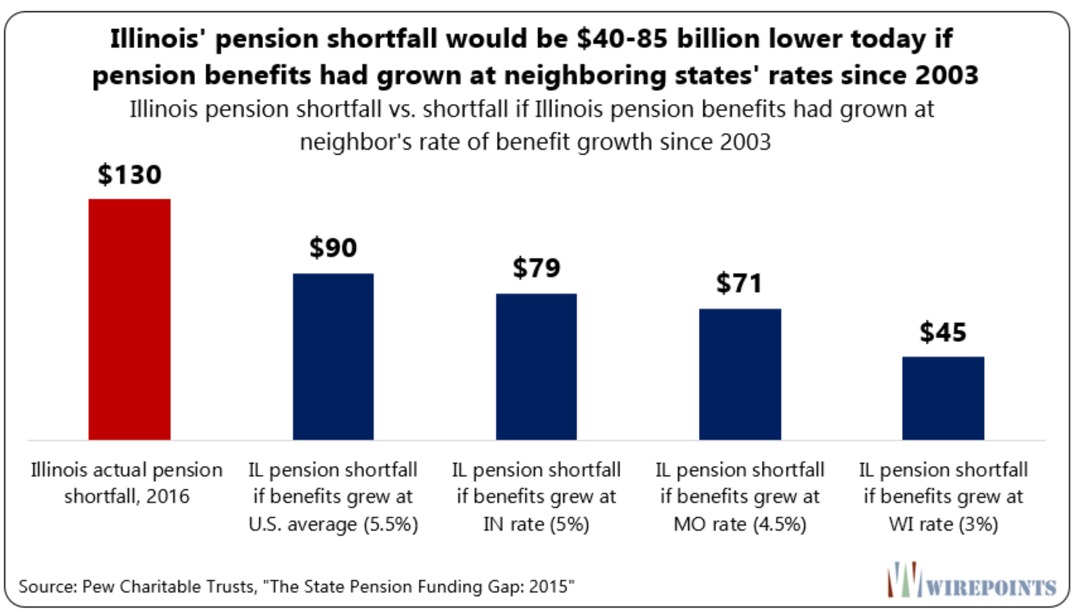
Illinois' $130 billion pension shortfall would look dramatically different today if Illinois politicians had reformed pensions and slowed the growth in benefits more than a decade ago.

Wirepoints calculated what the state's unfunded liabilities would have been if the state's pension benefit growth matched the slower rates of Illinois' neighboring states in the 2003-2015 period.

Not surprisingly, the state's pension debt drops significantly under those scenarios.

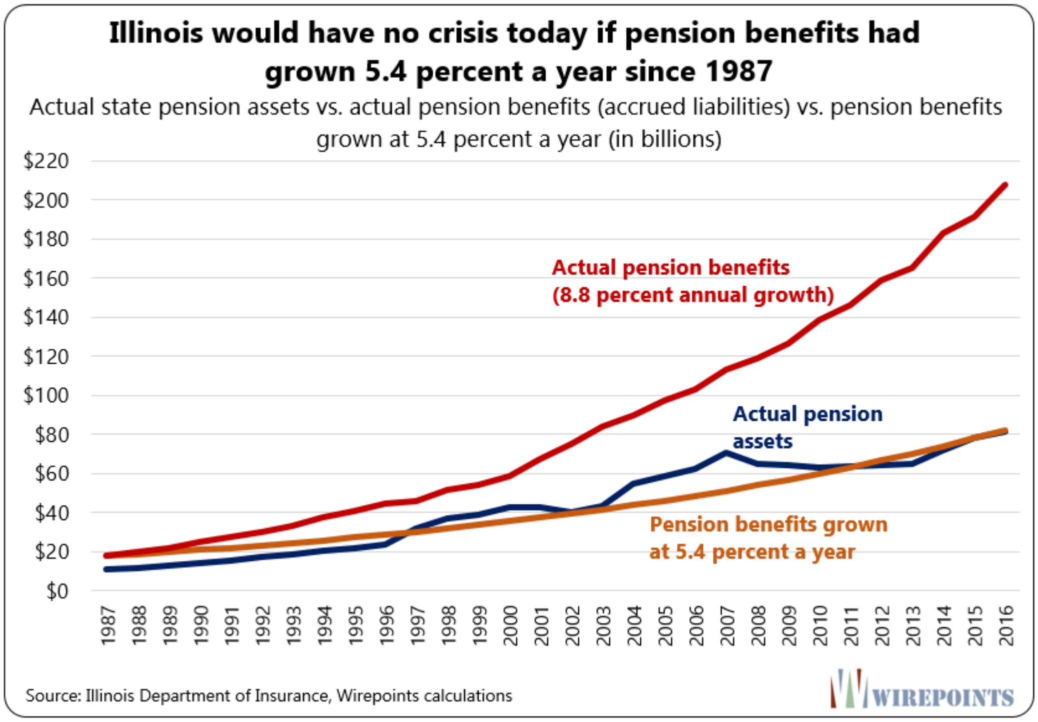
If lawmakers had passed reforms that limited benefit growth to Indiana's rate of 5 percent, Illinois' pension shortfall would be $79 billion today.

And if politicians had reformed pensions to match Wisconsin's growth rate of 3 percent, Illinois' shortfall would total just $45 billion.



The point is, Illinois' out-of-control pension crisis was not inevitable.

In fact, if politicians had slowed the growth of pension benefits to 5.4 percent annually beginning in 1987, Illinois' pensions would be *100 percent funded* today.



A 5.4 percent growth rate would still have been rapid when compared to Illinois' economy and taxpayers' ability to pay. But any moderation in pension benefit growth would have significantly reduced the severity of the crisis, if not ended it entirely.

The generous pension rules that drive benefit growth

Illinois' dramatic pension benefit growth has been driven by two key factors: sweetened pension rules and failed actuarial assumptions.

First, Illinois' already-generous pension benefits were repeatedly sweetened over the past 30 years.

Since 1987, politicians have grown pension obligations through perks that:[18]

- Add compounding to a retiree's 3 percent cost-of-living adjustment. That doubles a retiree's annual pension benefits after 25 years.[19]
- Significantly increased the pension benefit formulas for the Teachers' Retirement System, or TRS, and the State Employees' Retirement System, or SERS.
- Provided lucrative early retirement options.
- Allow workers to boost their service credit by up to two years using accumulated unpaid sick leave.[20]
- Grant automatic salary bumps to workers who earn masters and other graduate degrees.
- Allow spiking of end-of-career salaries.

Those benefits have resulted in the following:[21,22]

- 60 percent of current state pensioners began drawing pensions in their 50s, many with full benefits.
- The average state pensioner who worked 30 years or more receives $66,800 in annual pension benefits and will collect over $2 million in total benefits over the course of his or her retirement.
- That average career pensioner will see his or her pension payments double to more than $130,000 in retirement.
- Career pensioners will get back their direct employee contributions after just two years in retirement.

On top of the sweeteners, failed actuarial assumptions continue to reveal to taxpayers the true costs of pension benefits. Changes in mortality, investment rates and benefits have all led to unexpected jumps in the cost of total pension benefits promised to workers. In 2016 alone, assumption changes contributed to a $17 billion jump in promised benefits.[23]

State workers have done nothing wrong in receiving these pension benefits. They've benefitted from lucrative contracts negotiated by their unions and granted by politicians who didn't care about the costs to taxpayers.

However, it's clear that such benefits are not affordable. Politicians have made promises they can't keep and that Illinois taxpayers can't afford to fund.

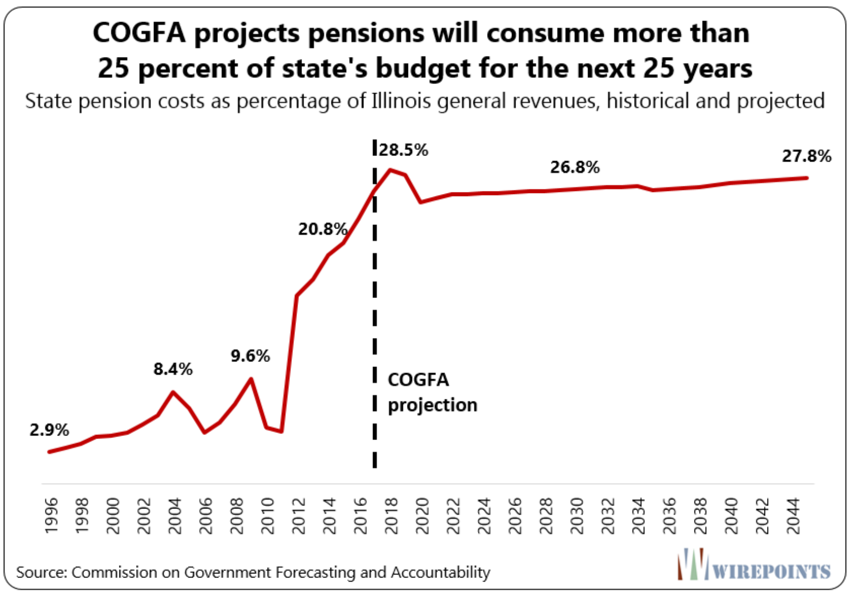
Tier 2 is not a solution to the state's pension crisis

Some lawmakers and others may claim the state's adoption of the Tier 2 benefit structure for new workers will "fix" the future growth in pension benefits. All new workers hired after Jan 1, 2011 are part of Tier 2 and will receive pension benefits that are far less generous than their Tier 1 counterparts.

But Tier 2 doesn't solve the state's accrued benefit problem for several reasons.

First, Tier 2 doesn't change the fact that Illinois is still struggling to pay for the Tier 1 benefits it owes. The Commission on Government Forecasting and Accountability estimates pension costs will continue to consume more than a quarter of Illinois' general budget for the next 25 years – even with the reduced costs of Tier 2 in effect.[24]

Worse, the related chart only depicts the "rosy" scenario. If assumptions are changed or another recession hits, pension costs could grow to consume even more of the budget.



Second, Tier 2 could be dismantled sometime in the future. TRS officials have argued that the courts should overturn the benefit structure because it discriminates against new workers.[25]

Tier 2 members of TRS provide a net subsidy to the state pension plans. New teachers contribute 9 percent of their annual salary to their pension fund. But the benefits they accrue are only worth 7 percent of their salary annually. That 2 percent loss is in effect a tax on Tier 2 members. It's that "tax" that's helping fund Tier 1 pensions.[26]

A rollback of Tier 2 would significantly increase the state's pension obligations.

Even if Tier 2 isn't overturned, the IRS might force the state to increase Tier 2 benefits in line with the agency's minimum retirement requirements. Or politicians may be pressured to increase benefits as Tier 2 members become a larger share of the state's workforce.

If any of that happens, the subsidy provided by Tier 2 members would end and the pension funds' owed benefits would jump dramatically.

Third, the subsidies provided by Tier 2 may not be enough to compensate for other drivers of accrued pension benefits. Tier 2 does nothing to slow the benefit growth that may occur due to the fund's actuarial and other assumption changes.

Take what happened after Tier 2 was passed. In 2011, total pension benefits were projected to grow to $189 billion in 2017. But benefits actually ended up much higher than that. In 2017 they exceed $214 billion, $25 billion more than projected.[27]

Those who argue for inaction on pensions – to allow the effects of Tier 2 to play out – risk sending the pension funds into further insolvency. Illinois has to act now to bring the size of its accrued pension benefits under control.

Conclusion

Illinois pension benefit growth must be reined in if the state is to avoid insolvency and a further exodus of its tax base. Illinois has lost population four years in a row and is one of the nation's leaders in outmigration.[28]

But with the General Assembly handcuffed by an inflexible constitutional clause and recalcitrant unions, lawmakers must employ a new set of tactics.

Pension benefits themselves are untouchable, but lawmakers can freeze salaries, [29] cut the subjects of collective bargaining,[30] reduce headcounts,[31] in order to reduce future payouts.

Illinois' government unions will then have a choice. They can either negotiate with lawmakers to restore those cuts in consideration for a reduction in pension benefits, or they can live with the changes.

However, those changes alone won't end the crisis. Irresponsible increases in benefits leave no choice but to cut benefits further, which will require either a constitutional amendment[32] or a negotiated federal bankruptcy law. [33] And to stop accruing future pension benefits, lawmakers must create 401(k)-style plans[34] for new workers going forward.

Illinoisans shouldn't be guilted into paying more into pensions through higher taxes. It's time to end the narrative that forces ordinary Illinoisans to shoulder the entire burden of fixing the pension crisis.

Appendix

Illinois pension benefits have grown 8.8 percent annually since 1987

Accrued liabilities of the five state pension funds (in billions)

Year	TRS	SERS	SURS	JRS	GARS	Total
1987	$9.9	$3.4	$4.2	$0.3	$0.1	$17.9
1988	$10.9	$3.6	$4.6	$0.3	$0.1	$19.6
1989	$11.9	$3.8	$5.6	$0.3	$0.1	$21.6
1990	$13.7	$4.5	$6.2	$0.4	$0.1	$24.9
1991	$15.1	$4.9	$6.6	$0.4	$0.1	$27.2
1992	$16.7	$5.6	$7.4	$0.4	$0.1	$30.1
1993	$18.5	$6.0	$7.8	$0.5	$0.1	$32.9
1994	$21.7	$6.5	$8.6	$0.5	$0.1	$37.4
1995	$24.0	$7.0	$9.4	$0.5	$0.1	$41.0
1996	$26.1	$7.4	$10.2	$0.6	$0.1	$44.4
1997	$27.0	$7.5	$10.6	$0.7	$0.1	$45.9
1998	$29.9	$9.3	$11.4	$0.7	$0.2	$51.6
1999	$33.2	$10.0	$10.0	$0.8	$0.2	$54.2
2000	$35.9	$10.9	$10.9	$0.9	$0.2	$58.8
2001	$39.2	$12.6	$14.9	$0.9	$0.2	$67.8
2002	$43.0	$14.3	$16.7	$1.0	$0.2	$75.2
2003	$46.9	$17.6	$18.0	$1.1	$0.2	$83.8
2004	$50.9	$18.4	$19.1	$1.2	$0.2	$89.8
2005	$56.1	$19.3	$20.3	$1.2	$0.2	$97.2
2006	$59.0	$20.9	$21.7	$1.3	$0.2	$103.1
2007	$65.6	$22.3	$23.4	$1.4	$0.2	$112.9
2008	$68.6	$23.8	$24.9	$1.5	$0.2	$119.1
2009	$73.0	$25.3	$26.3	$1.5	$0.2	$126.4
2010	$77.3	$29.3	$30.1	$1.8	$0.3	$138.8
2011	$81.3	$31.4	$31.5	$2.0	$0.3	$146.5
2012	$90.0	$33.1	$33.2	$2.0	$0.3	$158.6
2013	$93.9	$34.7	$34.4	$2.2	$0.3	$165.5
2014	$103.7	$39.5	$37.4	$2.2	$0.3	$183.2
2015	$108.1	$40.7	$39.5	$2.3	$0.3	$191.0
2016	$118.6	$45.5	$40.9	$2.5	$0.4	$208.0
Compounded annual growth rate (CAGR)	**8.9%**	**9.4%**	**8.1%**	**7.6%**	**6.4%**	**8.8%**
Total growth 1987-2016	**1092%**	**1254%**	**866%**	**729%**	**499%**	**1061%**

Source: Illinois Department of Insurance

Illinois pension assets have grown 7.2 percent annually since 1987

Pension assets of the five state pension funds (in billions)

Year	TRS	SERS	SURS	JRS	GARS	Total
1987	$6.1	$2.2	$2.5	$0.1	$0.03	$11.0
1988	$6.7	$2.4	$2.7	$0.1	$0.03	$11.9
1989	$7.3	$2.6	$3.0	$0.2	$0.03	$13.0
1990	$8.1	$2.8	$3.3	$0.2	$0.03	$14.4
1991	$8.7	$3.0	$3.5	$0.2	$0.04	$15.5
1992	$9.8	$3.3	$3.9	$0.2	$0.04	$17.2
1993	$10.9	$3.5	$4.2	$0.2	$0.04	$18.8
1994	$12.0	$3.7	$4.4	$0.2	$0.04	$20.4
1995	$12.6	$3.9	$4.7	$0.2	$0.04	$21.5
1996	$13.8	$4.4	$5.1	$0.2	$0.04	$23.6
1997	$17.4	$6.0	$8.4	$0.3	$0.06	$32.2
1998	$20.0	$7.1	$9.8	$0.4	$0.06	$37.2
1999	$22.2	$8.0	$8.0	$0.4	$0.07	$38.7
2000	$24.5	$8.9	$8.9	$0.4	$0.07	$42.8
2001	$23.3	$8.3	$10.8	$0.4	$0.06	$42.8
2002	$22.4	$7.7	$9.8	$0.3	$0.05	$40.3
2003	$23.1	$10.1	$9.7	$0.3	$0.05	$43.3
2004	$31.5	$10.0	$12.6	$0.5	$0.08	$54.7
2005	$34.1	$10.5	$13.4	$0.6	$0.08	$58.6
2006	$36.6	$10.9	$14.2	$0.6	$0.08	$62.3
2007	$41.9	$12.1	$16.0	$0.7	$0.09	$70.7
2008	$38.4	$11.0	$14.6	$0.6	$0.08	$64.7
2009	$38.0	$11.0	$14.3	$0.6	$0.07	$64.0
2010	$37.4	$11.0	$14.0	$0.6	$0.07	$63.1
2011	$37.8	$11.2	$13.9	$0.6	$0.06	$63.6
2012	$37.9	$11.5	$13.9	$0.6	$0.06	$64.0
2013	$38.2	$11.9	$14.3	$0.6	$0.05	$65.0
2014	$42.2	$13.3	$15.8	$0.7	$0.05	$72.1
2015	$45.4	$14.7	$17.1	$0.8	$0.05	$78.1
2016	$47.2	$15.6	$17.7	$0.9	$0.05	$81.5
Compounded annual growth rate (CAGR)	**7.3%**	**7.0%**	**7.0%**	**6.5%**	**1.9%**	**7.2%**
Total growth 1987-2016	**675%**	**602%**	**617%**	**527%**	**74%**	**644%**

Source: Illinois Department of Insurance

WIREPOINTS

Illinoisans have contributed $24 billion more to pensions than original Edgar ramp required

Original Edgar Ramp projections vs. actual taxpayer contributions to Illinois' five state pension funds (in billions)

Year	Original 1994 Edgar ramp projections	Actual contributions	Difference
1996	$0.6	$0.6	$0.0
1997	$0.7	$0.7	$0.0
1998	$0.8	$0.9	$0.0
1999	$1.0	$1.1	$0.1
2000	$1.1	$1.2	$0.1
2001	$1.3	$1.3	$0.1
2002	$1.4	$1.5	$0.0
2003	$1.6	$1.6	$0.1
2004	$1.8	$9.2	$7.4
2005	$2.0	$1.7	-$0.3
2006	$2.2	$0.9	-$1.2
2007	$2.4	$1.4	-$1.0
2008	$2.6	$2.0	-$0.6
2009	$2.9	$2.7	-$0.1
2010	$3.1	$4.0	$0.9
2011	$3.3	$4.2	$1.0
2012	$3.4	$4.9	$1.5
2013	$3.5	$5.9	$2.3
2014	$3.7	$6.8	$3.1
2015	$3.9	$6.9	$3.1
2016	$4.1	$7.6	$3.6
2017	$4.3	$7.9	$3.7
Total	**$51.6**	**$75.2**	**$23.7**

Source: Commission on Government Forecasting and Accountability

WIREPOINTS

Illinois has fast growing pension benefits, assets compared to other states

Promised state pension benefits (accrued liabilities) and total pension assets, 2003 vs. 2015

State	Accrued pension liabilities			Total pension assets		
	2003	2015	Average annual growth 2003-2015	2003	2015	Average annual growth 2003-2015
New Jersey	$88,265,327	$217,055,414	7.8%	$82,526,013	$81,354,848	-0.1%
New Hampshire	$4,669,192	$11,471,453	7.8%	$3,500,037	$7,509,926	6.6%
Illinois	$83,825,154	$199,089,640	7.5%	$40,424,116	$80,017,234	5.9%
Nevada	$19,575,633	$46,195,357	7.4%	$15,892,062	$34,714,400	6.7%
Kentucky	$24,139,011	$56,913,362	7.4%	$21,307,773	$21,501,210	0.1%
Arizona	$28,681,803	$65,738,240	7.2%	$28,518,631	$41,569,951	3.2%
North Dakota	$2,982,200	$6,645,726	6.9%	$2,710,500	$4,676,590	4.7%
California	$310,525,322	$669,955,702	6.6%	$268,702,893	$495,833,306	5.2%
Nebraska	$6,065,355	$13,031,010	6.6%	$5,583,361	$11,901,127	6.5%
Vermont	$2,629,348	$5,622,530	6.5%	$2,466,324	$3,813,881	3.7%
South Dakota	$4,905,995	$10,352,405	6.4%	$4,773,678	$10,776,534	7.0%
Virginia	$42,516,000	$88,985,488	6.3%	$40,492,000	$66,406,631	4.2%
Washington	$41,193,200	$85,810,249	6.3%	$43,987,500	$74,705,075	4.5%
Montana	$6,768,282	$13,561,567	6.0%	$6,145,523	$10,105,644	4.2%
Utah	$15,546,729	$31,150,334	6.0%	$14,718,181	$26,686,840	5.1%
New Mexico	$18,622,290	$36,736,096	5.8%	$16,621,180	$25,937,531	3.8%
Idaho	$7,949,400	$15,669,157	5.8%	$6,593,700	$14,385,946	6.7%
Alaska	$10,606,027	$20,807,716	5.8%	$7,371,277	$14,034,857	5.5%
Delaware	$5,314,490	$10,341,683	5.7%	$5,340,984	$9,233,919	4.7%
Hawaii	$11,952,057	$23,238,395	5.7%	$9,073,960	$14,505,465	4.0%
Connecticut	$28,114,800	$54,636,335	5.7%	$18,588,700	$26,976,213	3.2%
Arkansas	$15,494,425	$29,827,439	5.6%	$13,908,370	$24,580,957	4.9%
Florida	$89,251,331	$171,619,936	5.6%	$101,906,724	$148,505,168	3.2%
Maryland	$35,193,398	$67,480,080	5.6%	$32,707,845	$46,027,685	2.9%
Massachusetts	$45,403,000	$84,574,770	5.3%	$33,925,000	$52,456,994	3.7%
Iowa	$18,387,034	$34,091,215	5.3%	$16,436,937	$29,004,424	4.8%
Georgia	$55,159,268	$102,015,080	5.3%	$55,801,725	$82,498,305	3.3%
South Carolina	$27,421,732	$50,658,085	5.2%	$22,872,709	$29,305,690	2.1%
Mississippi	$22,199,810	$40,863,600	5.2%	$17,500,040	$25,246,219	3.1%
New York	$107,261,000	$193,065,921	5.0%	$106,612,000	$189,412,416	4.9%
Wyoming	$5,671,996	$10,146,720	5.0%	$5,244,021	$7,416,066	2.9%
Indiana	$26,188,405	$46,839,007	5.0%	$18,002,914	$30,268,263	4.4%
Kansas	$14,439,546	$25,614,471	4.9%	$10,853,462	$16,635,521	3.6%
Texas	$115,239,912	$203,472,276	4.9%	$109,340,390	$153,834,670	2.9%
Colorado	$40,492,108	$70,582,830	4.7%	$30,596,662	$42,658,493	2.8%
Tennessee	$26,075,500	$45,338,192	4.7%	$25,704,500	$43,260,914	4.4%
Pennsylvania	$80,493,300	$139,139,830	4.7%	$80,236,000	$77,640,521	-0.3%
Louisiana	$29,171,602	$50,259,386	4.6%	$19,955,089	$31,818,943	4.0%
Minnesota	$44,199,133	$75,522,040	4.6%	$42,349,547	$60,257,182	3.0%
North Carolina	$54,857,242	$93,392,819	4.5%	$58,170,766	$89,165,193	3.6%
Missouri	$38,147,220	$64,812,863	4.5%	$31,249,244	$52,780,814	4.5%
Alabama	$28,767,137	$48,599,317	4.5%	$26,669,981	$32,563,509	1.7%
West Virginia	$10,693,209	$17,633,674	4.3%	$4,294,345	$13,566,069	10.1%
Oregon	$44,078,100	$70,665,100	4.0%	$42,753,300	$64,923,600	3.5%
Ohio	$121,412,799	$191,957,918	3.9%	$96,190,982	$146,641,904	3.6%
Oklahoma	$23,363,456	$36,539,396	3.8%	$15,519,024	$28,930,879	5.3%
Michigan	$58,140,300	$85,938,974	3.3%	$50,763,400	$54,738,206	0.6%
Maine	$10,471,289	$15,403,693	3.3%	$7,787,205	$12,711,411	4.2%
Wisconsin	$63,211,700	$89,999,506	3.0%	$62,685,300	$88,504,670	2.9%
Rhode Island	$8,969,860	$11,106,191	1.8%	$5,729,600	$6,338,857	0.8%
US Total	**$2,024,702,427**	**$3,850,168,189**	**5.5%**	**$1,791,105,473**	**$2,758,340,673**	**3.7%**

Source: Pew Charitable Trusts, "The State Pension Funding Gap: 2015"

WIREPOINTS

[1] Ted Dabrowski "Understanding the numbers behind Illinois' dramatic pension shortfall," *Wirepoints*, (November 3, 2017). http://www.wirepoints.com/understanding-the-numbers-behind-illinois-dramatic-pension-shortfall-wirepoints-original.

[2] This report's findings, that an extreme growth in pension benefits is the cause of Illinois' pension crisis, only covers the state-run funds. Underfunding has played a role in many local pension crises. The best example of this is Chicago Public Schools, which deliberately underfunded its teachers' pension fund for nearly 20 years. That underfunding helped drop the plan's funding level from 100 percent in 1998 to just 52 percent today. For further information on Chicago's pension crisis, please see: "CPS pensions: From retirement security to political slush fund." https://www.illinoispolicy.org/reports/cps-pensions-from-retirement-security-to-political-slush-fund/.
"Each Chicago household on the hook for $82K in local government debt" https://www.illinoispolicy.org/each-chicago-household-on-the-hook-for-82k-in-local-government-debt/.

[3] Illinois Department of Insurance Public Pension Division, "Biennial Report" 1999, 2009, 2017,
http://insurance.illinois.gov/Reports/Pension/pension_biennial_report_1999.pdf;
http://insurance.illinois.gov/Reports/Pension/pension_biennial_report_2009.pdf;
http://insurance.illinois.gov/Reports/Pension/pension_biennial_report_2015.pdf;
http://insurance.illinois.gov/Reports/Pension/pension_biennial_report_2017.pdf.

[4] The Pew Charitable Trusts, "The State Pension Funding Gap: 2015," (April 20, 2017). http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/04/the-state-pension-funding-gap-2015.

[5] This report covers the growth in total pension benefits owed to state workers, also known as the state's accrued liabilities. The accrued liabilities as of 2017 were $214 billion. That amount should not be confused with the state's unfunded liability, which is the total shortfall in the state's pension plans. The unfunded liability, at $129 billion, is the difference between what the state owes its pensioners, $214 billion, and the assets it has set aside against those obligations: $85 billion.

[6] IDOI, "Biennial Report."

[7] Illinois Comptroller, "Traditional Budgetary Financial Report, 2017," (2017) https://ledger.illinoiscomptroller.com/find-reports/budgetary-reporting/traditional-budgetary-financial-report/fiscal-year-2017/.

[8] The Pew Charitable Trusts, "The State Pension Funding Gap: 2015."

[9] The example used here, median household incomes, is to show what happens to a given variable at an 8.8 percent growth rate. The more apt growth rate for a "per capita" comparison is 6.9 percent a year. At 6.9 percent a year, household incomes would grow to $190,000 by 2016.

[10] U.S. Bureau of the Census, "Median Household Income in Illinois [MEHOINUSILA646N]," retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/MEHOINUSILA646N.

[11] IDOI, "Biennial Report."

[12] Illinois Comptroller, "Traditional Budgetary Financial Report, 2017."

[13] The Pew Charitable Trusts, "The State Pension Funding Gap: 2015."

[14] Ted Dabrowski, "Lessons from the Edgar plan: why defined benefits can't work," *Illinois Policy Institute*, (April 2013). https://files.illinoispolicy.org/wp-content/uploads/2013/04/Edgar_Lessons_report.pdf.

[15] Commission on Government Forecasting and Accountability, "Report on the 90% Funding Target of Public Act 88-0593," (January 2006). http://cgfa.ilga.gov/Upload/Funding_PA_88-0593.pdf.

[16] Commission on Government Forecasting and Accountability, "March 2017 Financial Condition of the Illinois State Retirement Systems," (March 2017). http://cgfa.ilga.gov/Upload/FinConditionILStateRetirementSysMar2017.pdf.

[17] Ibid.

[18] Ibid.

[19] Ted Dabrowski and John Klingner, "What's driving Illinois' $111 billion pension crisis," *Illinois Policy Institute*, (April 2016). https://files.illinoispolicy.org/wp-content/uploads/2016/04/Pension-papers_combined_4-8.compressed.pdf.

[20] Ted Dabrowski and John Klingner, "Unpaid sick leave spikes Illinois teachers' pension benefits," *Illinois Policy Institute*, (Winter 2017). https://files.illinoispolicy.org/wp-content/uploads/2017/03/TRS-Sick-Leave_Report_3.7-Rev.pdf.

[21] "What's driving Illinois' $111 billion pension crisis."

[22] Ted Dabrowski, Craig Lesner and John Klingner, "Budget Solutions 2018," *Illinois Policy Institute*, (Winter 2017). https://files.illinoispolicy.org/wp-content/uploads/2017/01/Illinois-Policy-Budget-Solutions-2018.pdf.

[23] COGFA, "March 2017 Report"

[24] Ibid.

[25] Teachers' Retirement System, "Topics and Report," (Winter 2015). https://trsil.org/sites/default/files/documents/winter15.pdf.

[26] Teachers' Retirement System, "Actuarial Valuation and Review of Pension Benefits as of June 30, 2016," (January 5, 2017). https://trsil.org/sites/default/files/documents/2016ActuarialValuationSegal.pdf.

[27] COGFA, "March 2012 Financial Condition of the Illinois State Retirement Systems," (March 2012). http://cgfa.ilga.gov/Upload/FinCondILStateRetirementSysFY%202011Mar2012.pdf; COGFA, "March 2017 Report"

[28] Ted Dabrowski, "New Census data: Illinois shrinks again while neighbors grow," *Wirepoints*, (December 20, 2017). http://www.wirepoints.com/shrinking-illinois-loses-population-four-years-running-wirepoints-original/.
[29] J. Scott Moody and Wendy Warcholik, Ph.D., "Right-sizing Illinois state government's payrolls," *Illinois Policy Institute*, (February 2016). https://files.illinoispolicy.org/wp-content/uploads/2016/02/right_sizing_government_payrolls.pdf; Ted Dabrowski and John Klingner, "Cadillac benefits: Illinois state workers highest paid in nation," *Illinois Policy Institute*, (Spring 2016). https://files.illinoispolicy.org/wp-content/uploads/2016/05/AFSCME_cadillac-benefits.pdf.
[30] "Budget Solutions 2018."
[31] Ibid.
[32] Mark Glennon, "Would Congress Authorize Bankruptcy for Illinois and Other States? Yes, Inevitably." *Wirepoints*, (March 22, 2017). http://www.wirepoints.com/would-congress-authorize-bankruptcy-for-illinois-and-other-states-yes-inevitably-wirepoints-original/.
[33] Mark Glennon, "Is Bankruptcy for States Illinois' Answer? A Primer." *Wirepoints*, (March 22, 2017). http://www.wirepoints.com/is-bankruptcy-for-states-illinois-answer-a-primer-wirepoints-original/.
[34] Ted Dabrowski and John Klingner, "Pension reform plan for Illinois: Right under its nose." *Illinois Policy Institute*, (March 24, 2017). https://www.illinoispolicy.org/pension-reform-plan-for-illinois-right-under-its-nose/.