

As you requested a legislative proposal on pensions in your letter of July 2, I wanted to make you aware that your staff has had, since April, proposed language on the lease of the lottery as well as the issuance of pension obligation bonds. Based on your stated opposition to my plan, at this time I believe it makes more sense for all of us to agree on a resolution that states the problem and expresses our mutual commitment to solving this fiscal crisis during these budget negotiations.

Enclosed for your consideration is a resolution on the State of Illinois' severe pension funding crisis. The depth of Illinois' unfunded pension liability has put our state's fiscal health and future in peril. Between Fiscal Year 1972 and 2003, our unfunded liability increased from \$2.8 billion to more than \$40 billion. In spite of my administration's record pension contribution of \$13.3 billion over the last four years, our state has so much ground to make up that nothing short of bold action will do. I encourage the House of Representatives to not only vote on this resolution, but use the Committee of the Whole to work toward solutions to this problem.



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HOUSE RESOLUTION

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WHEREAS, Article XIII, Section 5 of the Illinois Constitution of 1970 requires the State to provide pension benefits to members of State-sponsored retirement systems; and

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WHEREAS, The State of Illinois supports five retirement plans on behalf of State employees, university employees, teachers, judges, and members of the Illinois General Assembly; and

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WHEREAS, It is the State's responsibility to provide adequate funding to support State pension liabilities so that future generations are not held responsible for current expenses; and

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WHEREAS, Deferrals of the State's obligations to its annuitants contributed to an unfunded pension liability in State-sponsored systems of \$19 billion in 1995 to \$43 billion in 2003, resulting in a funded ratio of 48% in 2003, the worst funded ratio of any of the fifty States and significantly under-funded in comparison to the national average of 91.1% among 101 public retirement systems according to the 2003 Public Fund Survey conducted by the National Association of State Retirement Administrators; and

1           WHEREAS, The Civic Committee of the Commercial Club of  
2 Chicago's Task Force on Illinois State Finance, in recognition  
3 of this crisis, reported that unless changes are made  
4 "commitments to State employees will become a huge burden on  
5 future generations or will not be kept at all"; and

6           WHEREAS, Annuitants of the State's benefit systems rely on  
7 the security provided by pension benefits to meet their daily  
8 necessities, including food, housing, and healthcare; and, as  
9 the Civic Committee has recommended, "Illinois should keep its  
10 obligations and commitments to those who have worked for it and  
11 who will work for it in the future. Failure to fund adequately  
12 to cover such obligations is unfair to employees whose rights  
13 have vested"; and

14           WHEREAS, Over the next three years, in order to meet the  
15 statutory funding formula, the State will be required to  
16 increase annual contributions to the pension systems and debt  
17 service on outstanding pension obligation bonds, reducing  
18 available State resources to fund growth in other core services  
19 provided by the State, such as education and health care, to  
20 less than \$200 million (or less than 1% growth) of natural  
21 revenue growth per year; and

22           WHEREAS, Further deferrals of the State's pension  
23 liabilities will force future generations to pay billions in

1 additional interest on the unfunded liabilities of the State  
2 between fiscal years 2008 and 2045; and

3 WHEREAS, In recognition of the funding crisis caused by the  
4 State's persistent under-funding of its pension obligations  
5 and other past deferrals, the Civic Committee has stated that  
6 "Good government in a democracy involves making hard choices.  
7 The citizens who live in Illinois and pay taxes here, and the  
8 businesses located here, all must make such choices. Their  
9 government should do no less. Avoiding such choices undercuts  
10 democracy."; therefore, be it

11 RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE  
12 NINETY-FIFTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that  
13 the State's pension funding system is in a state of crisis, and  
14 that the State will continue to unnecessarily pay billions in  
15 interest costs alone if the unfunded pension liability does not  
16 receive an immediate and significant infusion of funding, the  
17 General Assembly is in agreement that a solution to this crisis  
18 must be adopted prior to adjournment of 2007 Spring Session of  
19 the Ninety-Fifth General Assembly; this action is necessary to  
20 adequately secure existing pension obligations, reduce  
21 long-term interest costs on current obligations, more  
22 effectively manage State funding requirements, and ensure that  
23 future new revenues will not be consumed solely by escalating  
24 pension contributions; and be it further

1           RESOLVED, That the General Assembly shall enact any such  
2 additional protections necessary to ensure that no further  
3 State pension liabilities may be deferred to future generations  
4 of Illinois citizens.