OFFICE OF GOVERNOR PAT QUINN

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Public Pension Stabilization Plan

GOAL:

- **Maintains a defined benefit plan**
- **100% funding for pension systems by 2042**
- **Funding: 30-year "closed" ARC (Actuarially Required Contribution)**

The 30-year closed ARC, endorsed by the Governmental Accounting Standards Board, will result in 100% funded status for the pension systems by 2042, eliminating the $83 billion unfunded liability, based on current actuarial assumptions. The current statutory funding plan, adopted by the General Assembly in 1995, reaches 90% funded status by 2045. At the end of 2045, a $32 billion unfunded liability will remain.

PLAN:

- **Changes for Active Members**
  - 3% increase in employee contributions
  - Reduce COLA (cost of living adjustment) to lesser of 3% or ½ of CPI, simple interest
  - Delay COLA to earlier of age 67 or 5 years after retirement
  - Increase retirement age to 67 (to be phased in over several years)
  - Establish 30-year closed ARC (actuarially required contribution) funding schedule
  - Public sector pensions limited to public sector employment
- **Employer Responsibilities**
  - State makes required payment each year
  - Employers take responsibility for their normal costs. State's current responsibility for local school districts, community colleges and public universities will phase out over next several years.

CONSIDERATION:

- **Employees' pay increases will continue to be counted in the calculation of their pensions**
- **Employees will receive a subsidy for their health care in retirement**

SAVINGS: **Reduces contributions by $65-85 billion through 2045, based on current actuarial assumptions.**

BACKGROUND:

- Expected payments 2012 – 2045 under existing law: **$309.9 billion**
- Estimated annual payments from the 5 state systems for FY 13: **$8.7 billion**
- FY 13 general revenue fund contribution; triple the 2008 payment: **$5.2 billion**
- FY 13 payment constitutes 15% of general revenue fund spending, compared to 6% a few years ago
- Pension crisis caused by the State's: lack of adequate investment in the pension system; increase of retiree benefits without sufficient revenue to pay for them; and award of taxpayer-funded health insurance benefits to retirees that are more generous than those offered by comparable states

Act now to secure retirements of public workers and to prevent escalating pension costs from squeezing education, health care, and public safety