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# The Civic Federation

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### CHICAGO AREA PUBLIC PENSION FUNDING LEVELS CONTINUE TO WEAKEN

(CHICAGO) A Civic Federation report released today found that the funding status of ten major Chicago-area public employee pension funds continued to deteriorate in FY2009. The group's annual survey of local pension trends found that each fund's actuarially smoothed ratio of assets to liabilities fell in FY2009, the most recent year for which comparable data are available. None of the ten funds had a ratio above 80%, ranging from 36.5% in the Fire Fund to 79.4% in the Laborers' Fund.

"Despite reforms passed in Springfield last year, public pension funds in the Chicago area remain stressed," said Laurence Msall, president of the Civic Federation. "For most of the funds, the reforms do not address the problem of statutory underfunding of the pensions." In FY2009 local governments' legally-required contributions were on average less than half of what would be necessary in order to cover costs attributable to the current year and reduce unfunded liabilities. Between FY2000 and FY2009, the cumulative contribution shortfall for all ten funds was \$5.1 billion.

The report describes the pension reform laws enacted by the State of Illinois in 2010, which represent an important step toward comprehensive pension reform. The legislation will slowly reduce liabilities over time by creating a new tier of benefits for most government employees who are hired after January 1, 2011. The reforms cover all of the governments surveyed in the report except for the Chicago Transit Authority, which underwent pension reform in 2008. Crucially, Public Act 96-1495 contains provisions to increase the City of Chicago's required contributions to its Police and Fire funds, which were on track to run out of money within a decade. Public Act 96-0889, which covers most non public safety workers, does not change employer or employee contributions so it does not guarantee the future solvency of the affected funds.

The purpose of the 67-page report is to compile data that will allow stakeholders to understand the trends affecting the health of public pensions in the Chicago region. Most of the ten-year trends reviewed in the report are negative. Total liabilities not covered by assets for the ten funds have increased an astonishing 600% since FY2000, reaching a record \$22.9 billion in FY2009. The aggregate actuarial funded ratio for all ten pension funds was 61.3% in FY2009, down from 89.5% in FY2000. Over the same time period, unfunded liabilities per capita for the ten funds increased from \$1,189 to \$7,098 for every resident of Chicago. "State and local officials' work to reform the pension system in Illinois is only just beginning," said Msall. "Our hope is that the information in this report will help them make informed decisions as the reform process continues."

In addition to analyzing pension data, the study explains common pension terminology and examines other post employment benefits (also known as "OPEB") data. The full report is available at [www.civicfed.org](http://www.civicfed.org).

*The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions. For more information, please visit the Federation's website at [www.civicfed.org](http://www.civicfed.org).*

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