



Financial problems not unique to the teacher pension fund

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SPRINGFIELD - With a combined unfunded liability of \$78 billion, none of Illinois' state-backed pension systems appears to be doing well.

The Teachers' Retirement System accounts for nearly half that debt, mostly because it is the largest pension system, covering public school teachers and administrators outside of Chicago. But even carrying \$44.5 billion in unfunded liabilities, the teachers' pension system is better off financially than some others.

The teachers' system is 39.1 percent funded, meaning it has enough assets to cover almost 40 percent of all the past and current benefits that have been earned. That's down from 56 percent last year, a drop caused by investment declines and the need to sell off assets to keep pace with payments.

Clearly, it's unlikely every teacher or state worker will decide to cash out today and test the system's ability to cover benefits. But the funding percentage is a measure of the health of the pension systems.

The pension system covering state employees was 33.5 percent funded, down from 46.1 percent the previous year.

The State University Retirement System reported it is 41.9 percent funded, down from 58.5 percent the year prior.

The pension system for judges reported it was just 30.9 percent funded, down from 42 percent. And worst off was the pension system for state lawmakers and state officials, which dropped to 22.4 percent funded from 32 percent.

In an effort to make the books look better, lawmakers last year approved a law that "smooths" big losses over five years so the pension systems can spread out dramatic drops. In practice, it means the teachers' pension fund

appears to be 52.1 percent funded even though the fair market value of that fund puts it at just 39.1 percent. Supporters of the change argue health of a system should not be gauged on one year's performance, but rather on financial trends over time.

Other pension systems are closer to full funding but also have seen losses.

The Chicago teachers pension system is mostly funded by teachers and city taxes, though the state does contribute. As recently as 1999 that system reported surpluses. But the nearly \$68 million surplus has sunk to a \$3 billion debt and funding level below 80 percent, according to recent annual reports.

That debt motivated the recent changes in state pension law that reduce benefits for future employees. A key provision lets Chicago schools skip nearly \$1.2 billion in payments to the pension fund over the next three years and then readjust the payment schedule for future years. That's supposed to ease the budgeting pain for Chicago officials.

Local government pensions are run by the Illinois Municipal Retirement Fund. The latest annual report showed the fund's investment portfolio declined 24.8 percent in 2008 and investment losses totaled nearly \$6.1 billion. Those losses dropped it to being 85.3 percent funded from 96.1 percent the previous year.