OFFICE OF GOVERNOR PAT QUINN **NEWS**

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Governor Quinn Proposes Bold Plan to Stabilize the Public Pension System

Plan Eliminates Unfunded Liability by 2042; Changes Will Save Taxpayers Billions

CHICAGO – April 20, 2012. Governor Pat Quinn today announced a bold plan that secures public workers' retirement while fixing the state's pension problem that has been created over decades of fiscal mismanagement. The proposal is expected to save taxpayers $65 to $85 billion based on current actuarial assumptions. The changes will lead to greater certainty in Illinois' business climate, respond to concerns from ratings' agencies regarding the state's unfunded pension liability and support the continuation of the state's capital plan that is putting hundreds of thousands of Illinois residents back to work. The Governor's proposal follows weeks of discussion by the Governor's pension working group.

"Unsustainable pension costs are squeezing core programs in education, public safety and human services, in addition to limiting our ability to pay our bills," Governor Quinn said. "This plan rescues our pension system and allows public employees who have faithfully contributed to the system to continue to receive pension benefits. I urge the General Assembly to move forward with this plan, which will bring a new era of fiscal responsibility and stability to Illinois."

Illinois' pension system is now under-funded by $83 billion due to decades of inadequate funding by past lawmakers and governors, and the promise of increased benefits without sufficient revenue to pay for those benefits. Under Governor Quinn, as annual required contributions increased dramatically, the state paid exactly what the law required into the pension systems. The fiscal year 2013 payment, $5.2 billion, now makes up 15% of general revenue fund spending compared to 6% a few years ago.

The Governor's proposal provides for 100% funding for pension systems by 2042 and makes the following changes to the current plan:

- ***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***

In consideration for the changes above, employee pay increases will continue to be counted in the calculation of their pension and employees will receive a subsidy for their health care in retirement. The state can no longer provide current levels of both pensions and retiree healthcare to employees upon retirement. Currently 90% of retired state employees pay nothing for their healthcare costs. States comparable to Illinois in size and demographics provide little to no assistance for retiree healthcare costs.

The Governor's plan also calls for phasing-in the responsibility for paying normal costs of pensions to each employer, including school districts, community colleges and public universities.

This plan reflects the discussions of the working group. The working group continues to work in an effort to find full consensus on all elements of the proposal. Members of the pension working group include Sen. Mike Noland, Sen. Bill Brady, Rep. Elaine Nekritz and Rep. Darlene Senger.

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