ILLINOIS PENSION SYSTEMS

V1

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Overview

Illinois Pension System History

Creation of State Pension Systems (1911–1941)

- Illinois established key pension systems (TRS, SURS, SERS, GARS, JRS)

Constitutional Pension Protection (1970)

The Illinois Constitution guaranteed that public pension benefits cannot be "diminished or impaired." (Article XIII, Section 5)

Chronic Underfunding (1970s–1990s)

- The state consistently contributed less than actuarially recommended amounts, causing pension debt to grow.

Edgar Ramp Funding Plan (1995)

Illinois adopted a funding schedule targeting 90% funding by 2045, with contributions increasing gradually over time.

Financial Crisis (2003–2010)

- Reduced state contributions and investment losses during the Great Recession significantly increased unfunded liabilities.

Today: Tier II Reform and Recent Progress (2011–Present)

Illinois created Tier II benefits for new employees, made more consistent contributions, and modestly improved funding levels, though unfunded liabilities remain among the highest in the nation.

Overview

Illinois state and local government pensions are divided into two primary categories: Tier 1 and Tier 2 as established by Public Act 96-0889 (Senate Bill 1946).

Tier I

- **Applies to employees hired before January 1, 2011**

Generally provides:

- Earlier retirement eligibility.
- Higher lifetime benefits.
- 3% compounded Automatic Annual Increase (AAI).
- No Tier II-style salary cap.

Tier II

- **Applies to employees hired on or after January 1, 2011.**

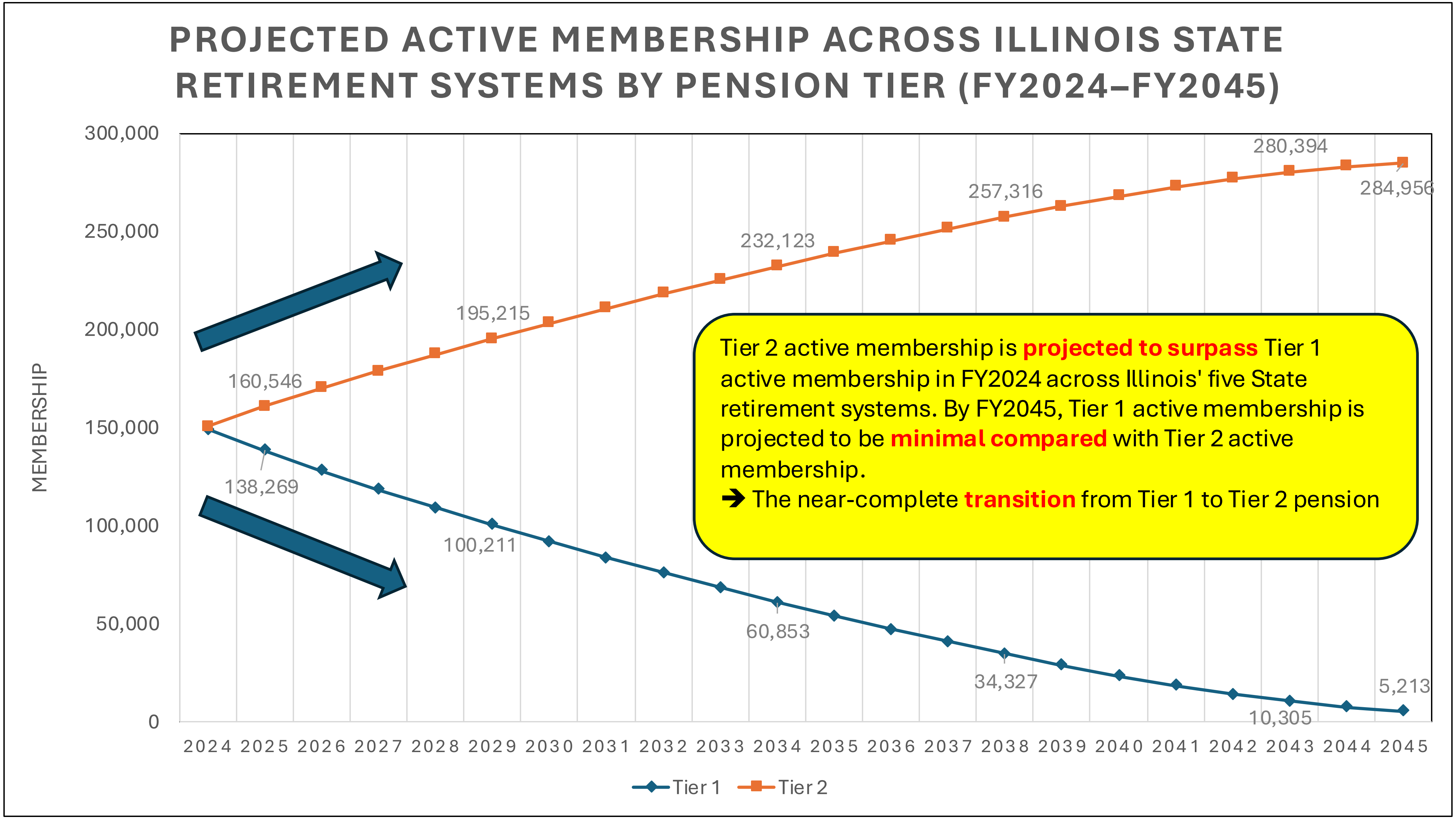
Generally includes:

- Higher retirement ages.
- Pensionable salary cap.
- Lower annual benefit increases after retirement.
- Lower overall lifetime benefits than Tier I.

➔ Created through pension reform legislation to reduce future pension costs.

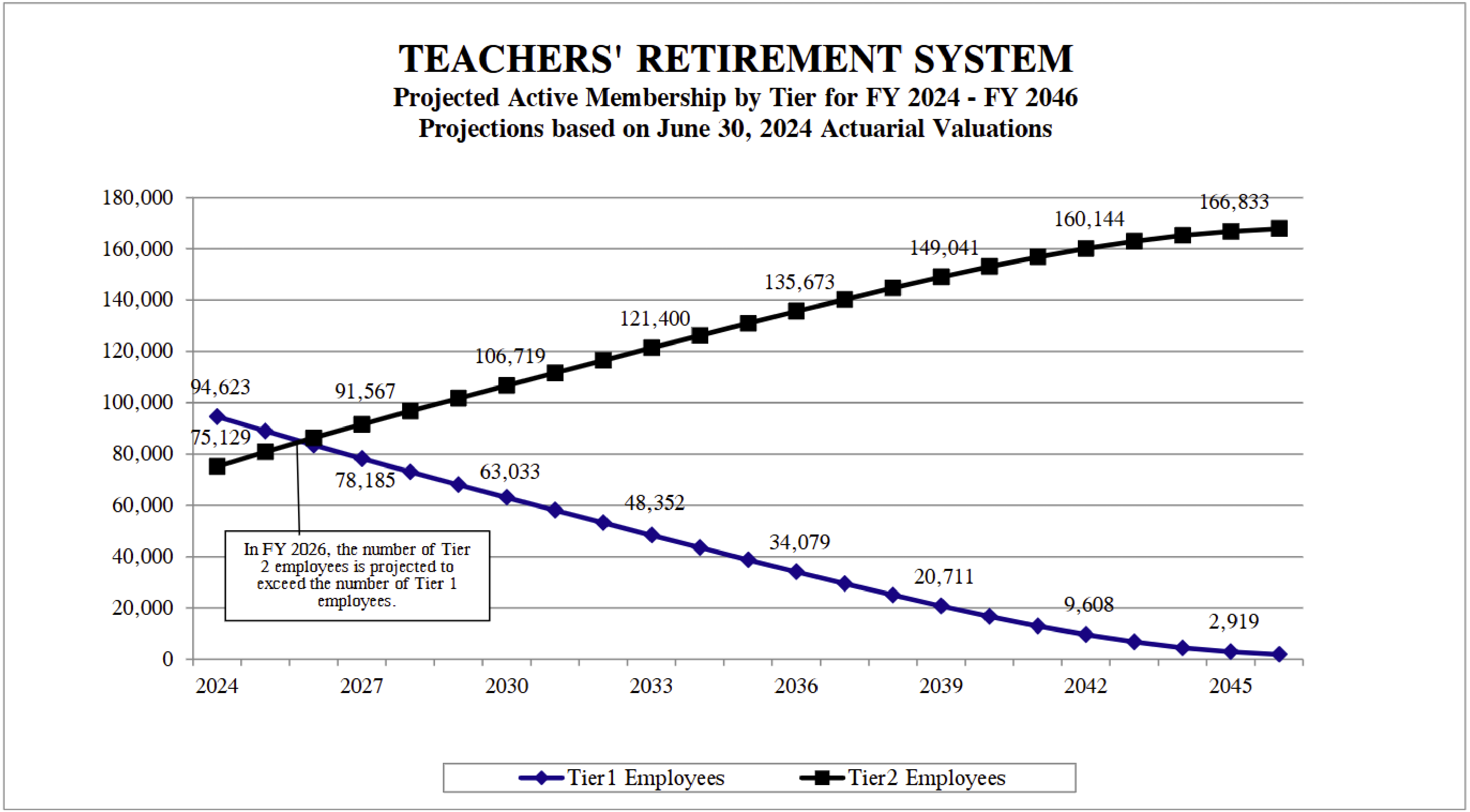
Overview

Tier 1 vs Tier 2 Future Membership



Source: Commission on Government Forecasting and Accountability

Overview



NOTE: The above membership projections include all active employees such as full-time, part-time, substitute, and hourly employees.

Overview

Sample Benefit Calculation for First Year of Retirement

Final Average Salary × Years of Service × Multiplier Percentage = Benefit

Sample Benefit Calculation for Subsequent Years of Retirement

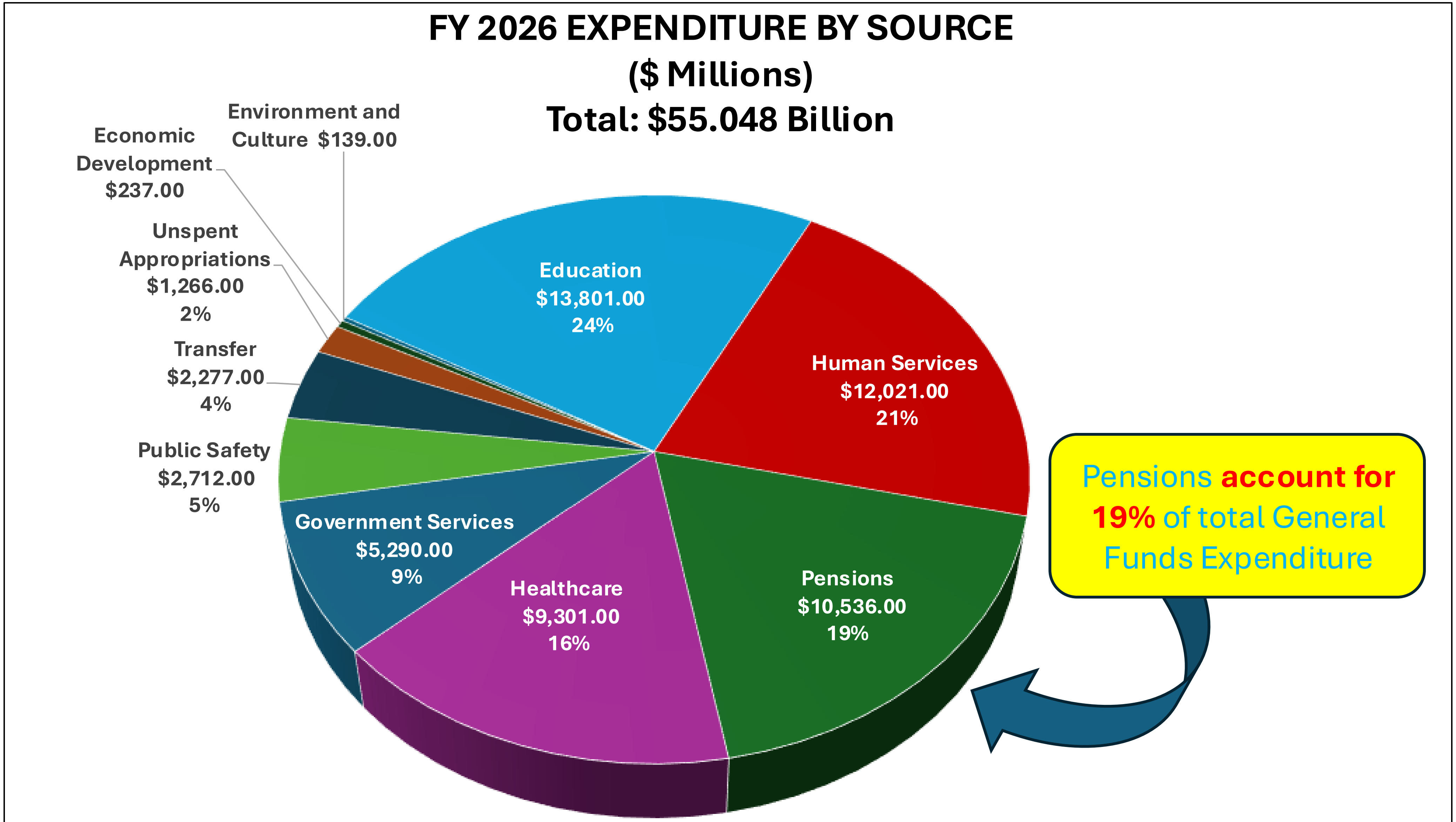
Prior Year Benefit + **Prior Year Benefit** Multiplied By Automatic Annual Increase = Benefit for Current Year

Benefit multipliers vary by pension system and employee classification, generally ranging from 1.67% to 3.0% per year of service.

Automatic Annual Increase (AAI) is typically 3% annually, providing compounded growth in pension benefits after retirement.

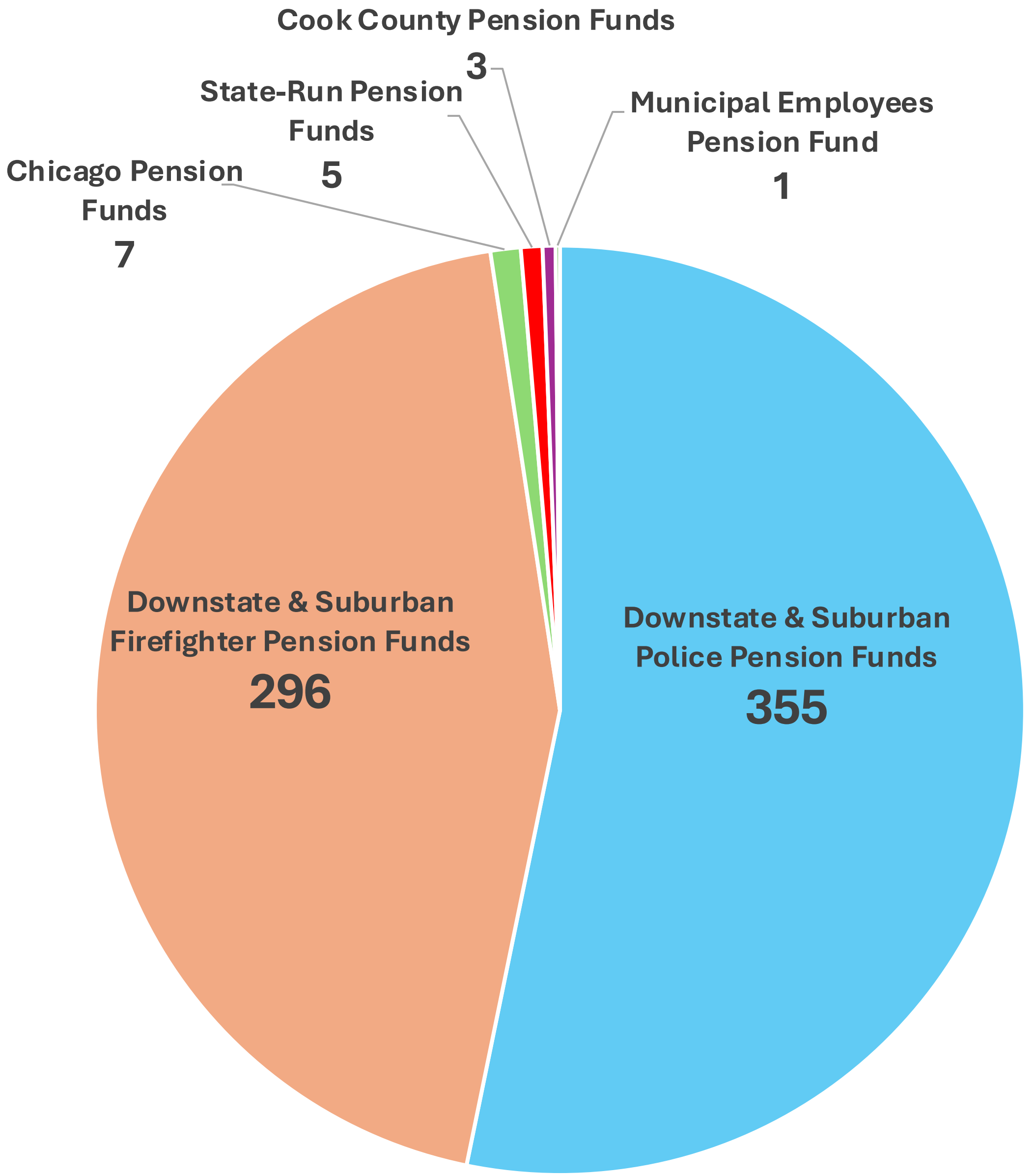
Source: Illinois Policy

Overview



Source: Office of the Governor, Feb 2026.

Overview



Illinois has a total of **667 government pension funds**, serving more than one million active and retired public employees
→ The five state-run pension funds are **the most important** pension systems in Illinois

Downstate & Suburban Police Pension Funds
- Cover police officers in suburban and downstate communities

Downstate & Suburban Firefighter Pension Funds
- Cover firefighters in suburban and downstate communities

Chicago Pension Funds
- Pension funds serving various groups of Chicago employees

State-Run Pension Funds
- Cover downstate and suburban teachers, state employees, state university employees, judges, and Illinois lawmakers

Cook County Pension Funds
- Pension funds serving Cook County employees

Municipal Employees Pension Fund
- Covers suburban and downstate municipal workers

Source: Illinois Policy

Pension Systems

The Big Five

The Teachers' Retirement System (TRS)

Covers public school teachers and administrators outside Chicago.

The State Employees' Retirement System (SERS)

covers most State of Illinois employees.

The State Universities Retirement System (SURS)

Covers employees of Illinois public universities and community colleges.

The Judges' Retirement System (JRS)

Covers Illinois judges.

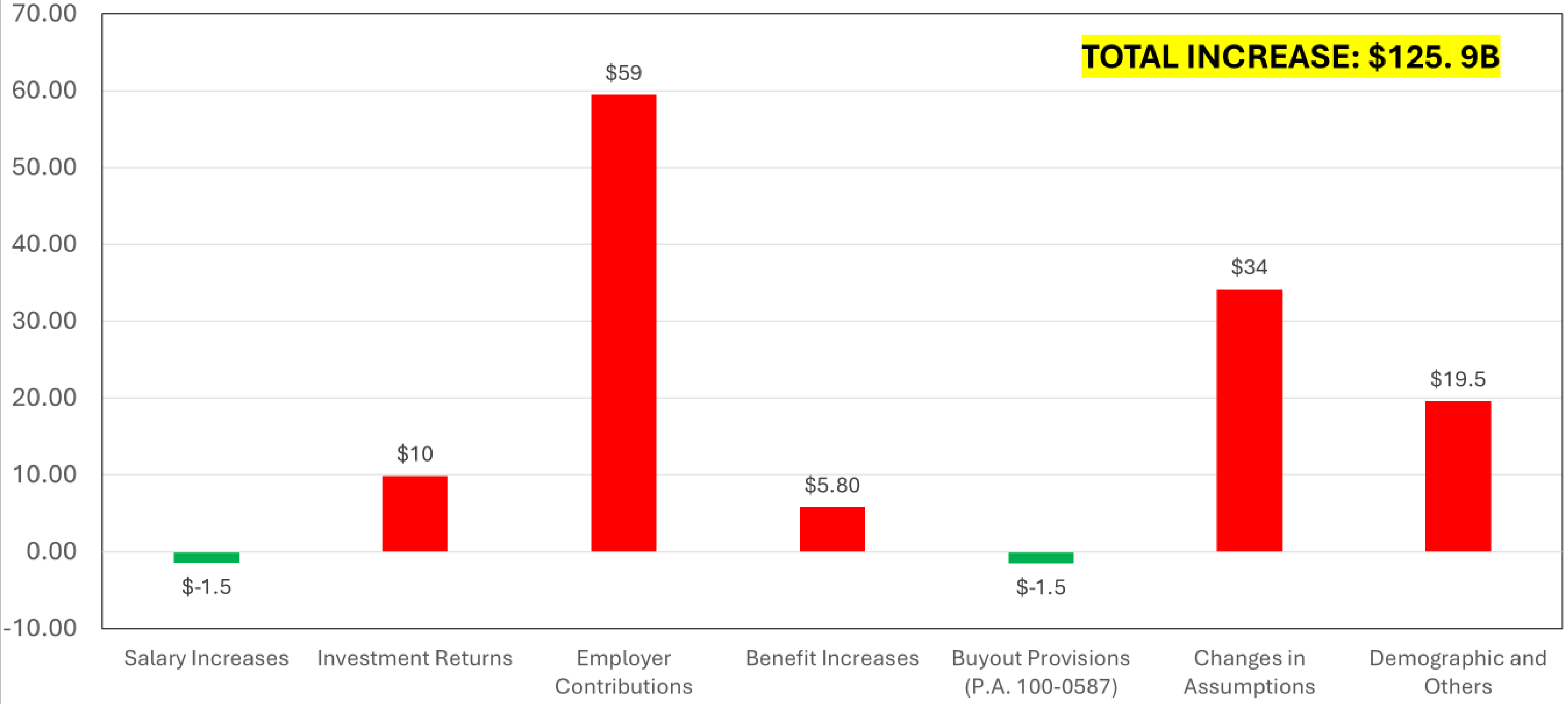
The General Assembly Retirement System (GARS)

Covers state legislators and certain elected officials.

Overview

STATE FUNDED RETIREMENT SYSTEMS
All Five Systems Combined
Change in Unfunded Liabilities
FY 1996 - FY 2025
($ in Billions)

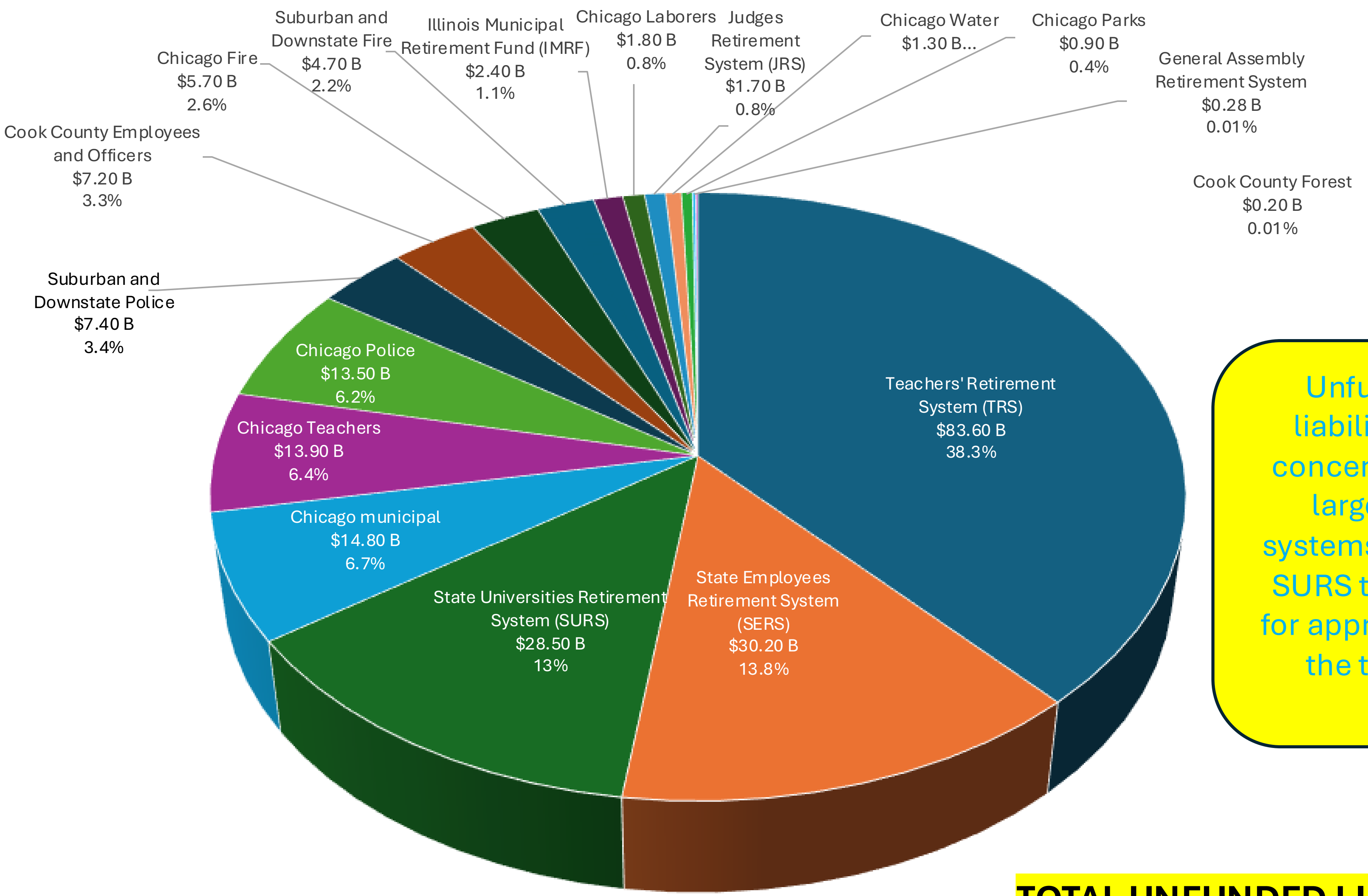
All figures are based upon the actuarial value of assets.



Source: Commission on Government Forecasting and Accountability

Overview

Illinois Public Retirement Systems: Unfunded Liabilities (FY2024)



Unfunded pension liabilities are heavily concentrated in Illinois' largest retirement systems. TRS, SERS, and SURS together account for approximately **65%** of the total unfunded liabilities

TOTAL UNFUNDED LIABILITIES: $206 B

Source: State of Illinois, Department of Insurance Public Pension Division

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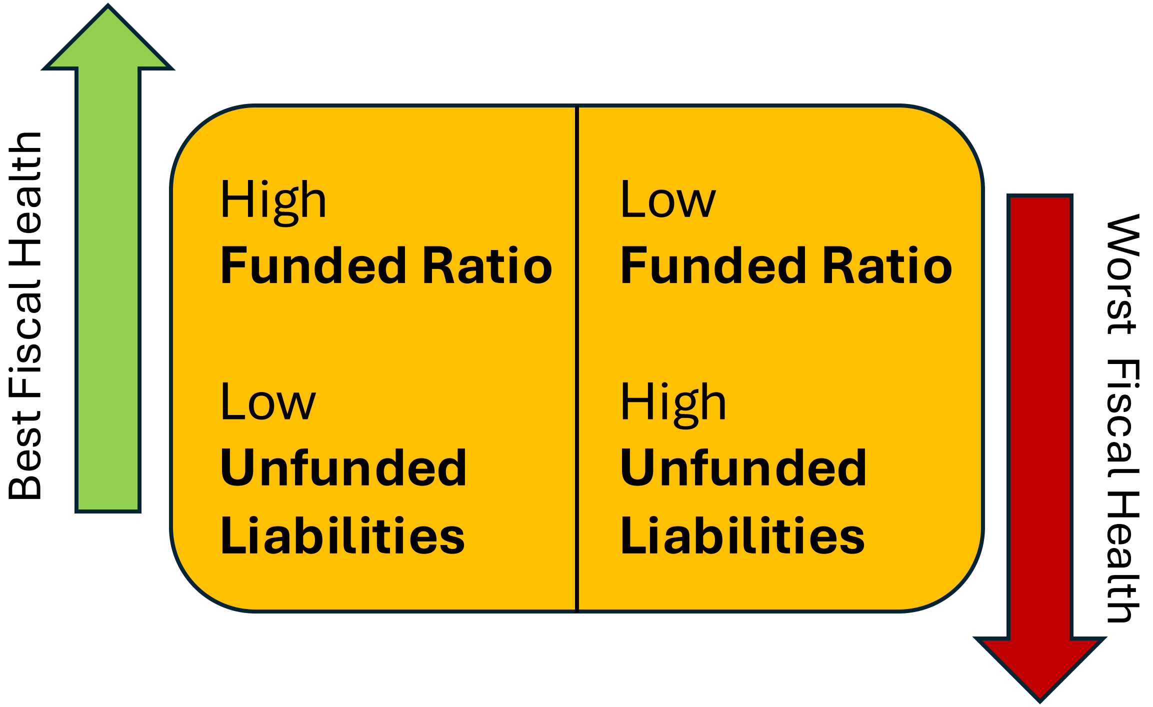
Indicators of a Healthy Public Pension System



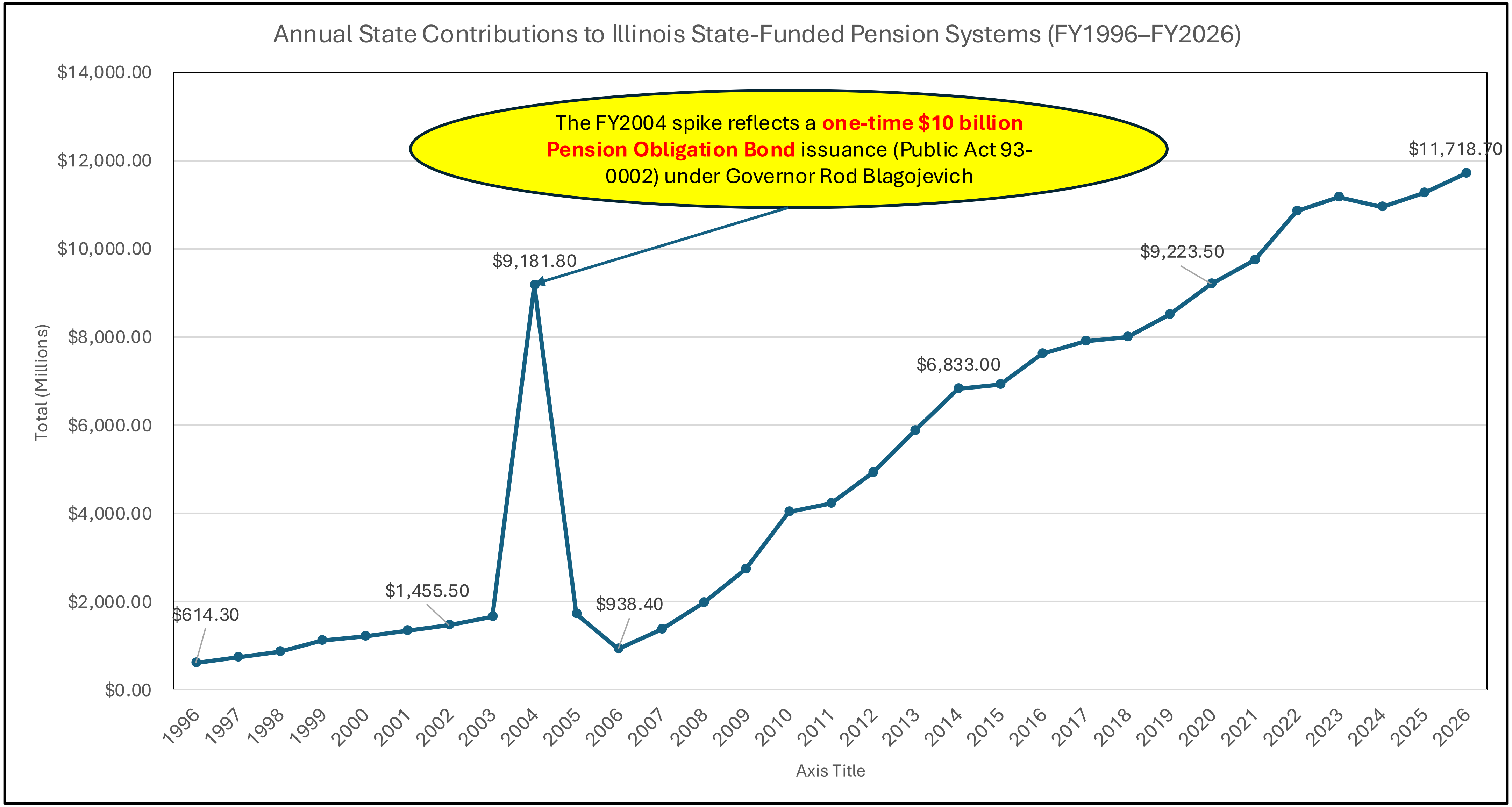
Funded ratio and unfunded liabilities are **key indicators** of pension system health

Higher funded ratios and lower unfunded liabilities generally indicate **stronger fiscal health**, while lower funded ratios and higher unfunded liabilities suggest **greater financial risk**.

Source: Civic Federation

Budget Data

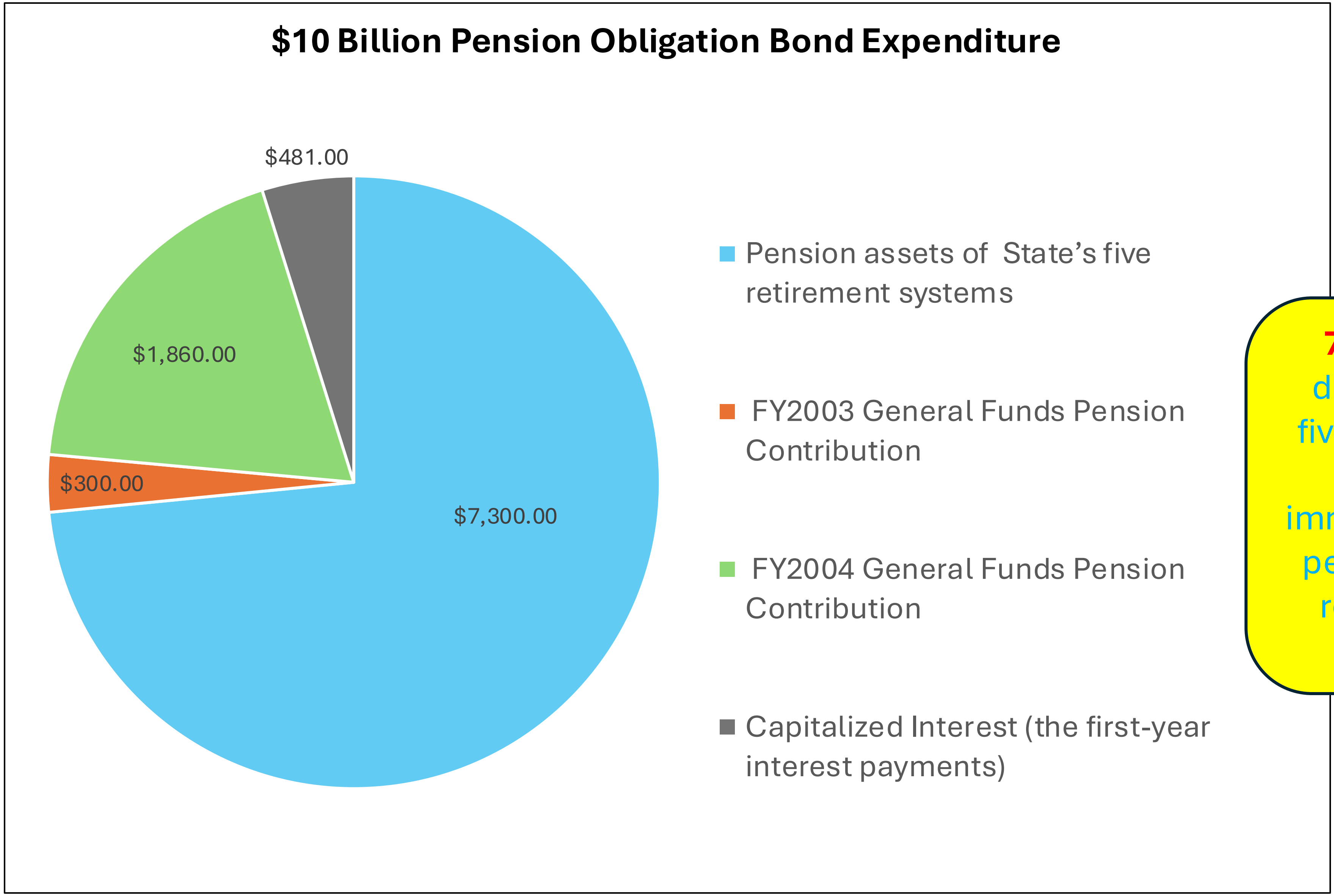
Illinois State Pension Contributions by Fiscal Year (FY1996–FY2026)



Source: Commission on Government Forecasting and Accountability

Budget Data

State's 2003 Pension Borrowing

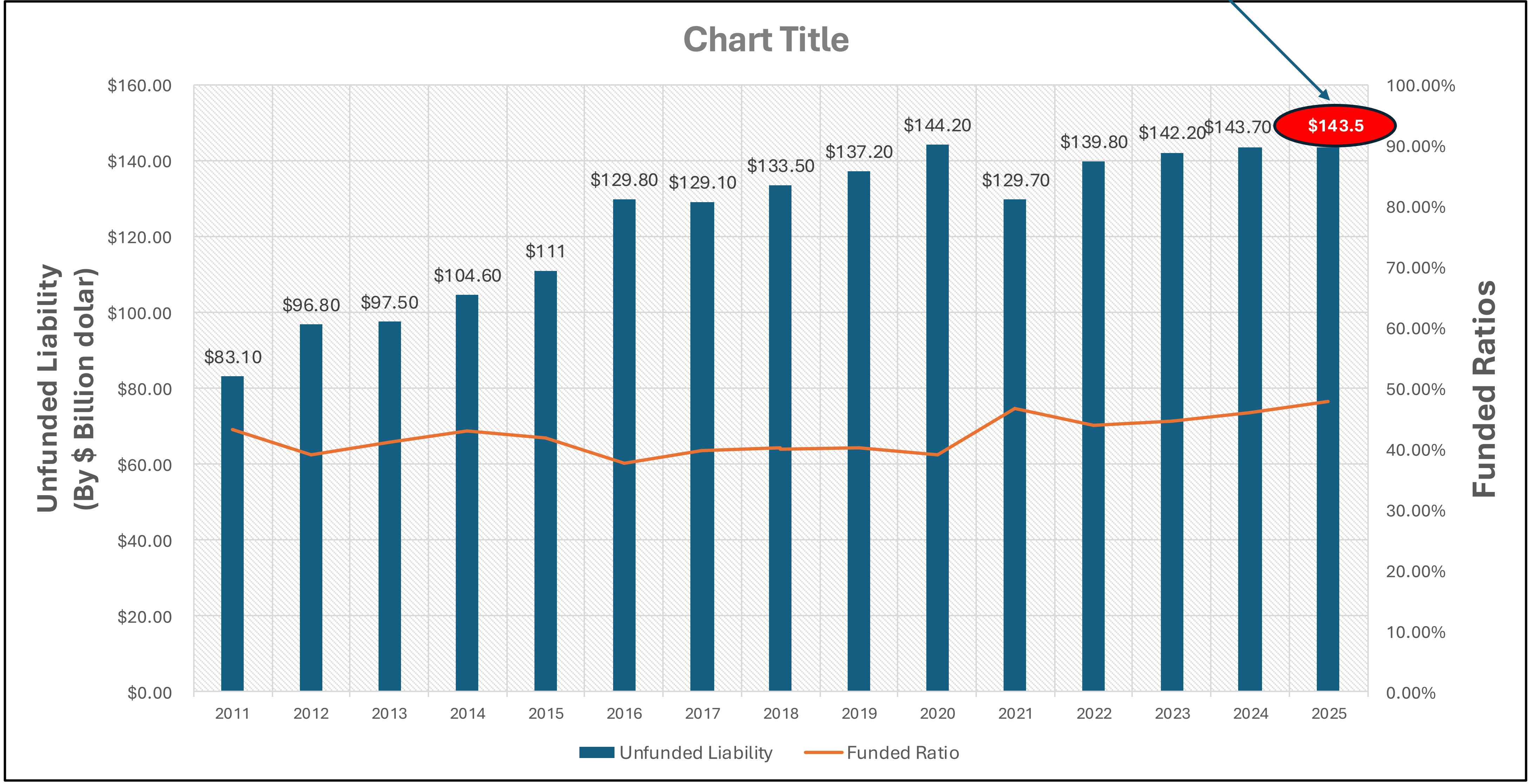


73% ($7.3B) was deposited into the five state retirement systems to immediately increase pension assets and reduce unfunded liabilities.

Source: The Civic Federation

Illinois Pension Systems: Unfunded Liabilities and Ratios

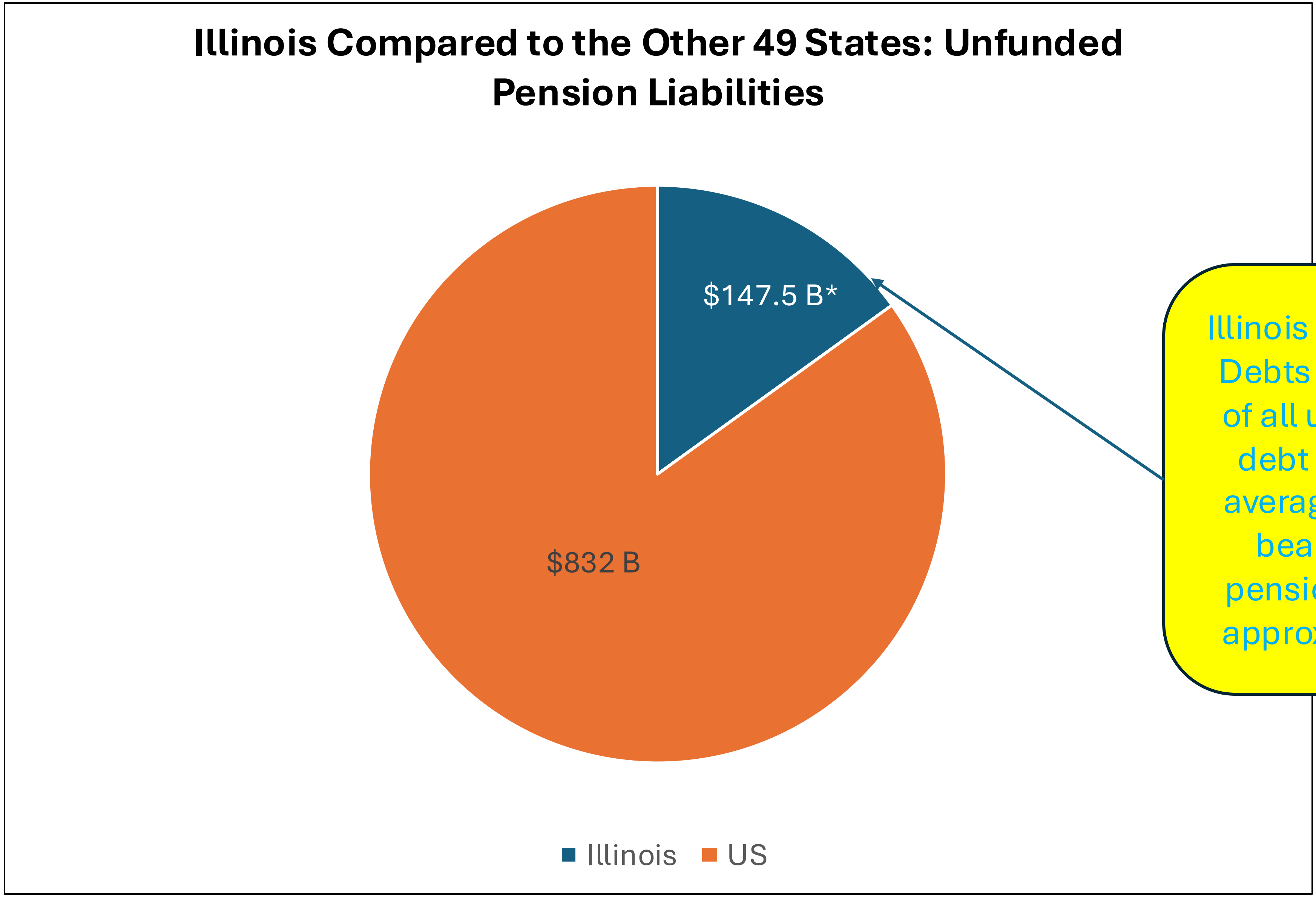
Illinois' pension debt remains ***among the highest*** *in the nation, with the Funded ratio* ***consistently under 50%****. As of FY2025, the state-run pension systems' unfunded liabilities(The "Big Five") totaled approximately* ***$143.5 billion.***



Source: Commission on Government Forecasting and Accountability

Budget Data

Illinois and U.S. Unfunded Pension Liabilities

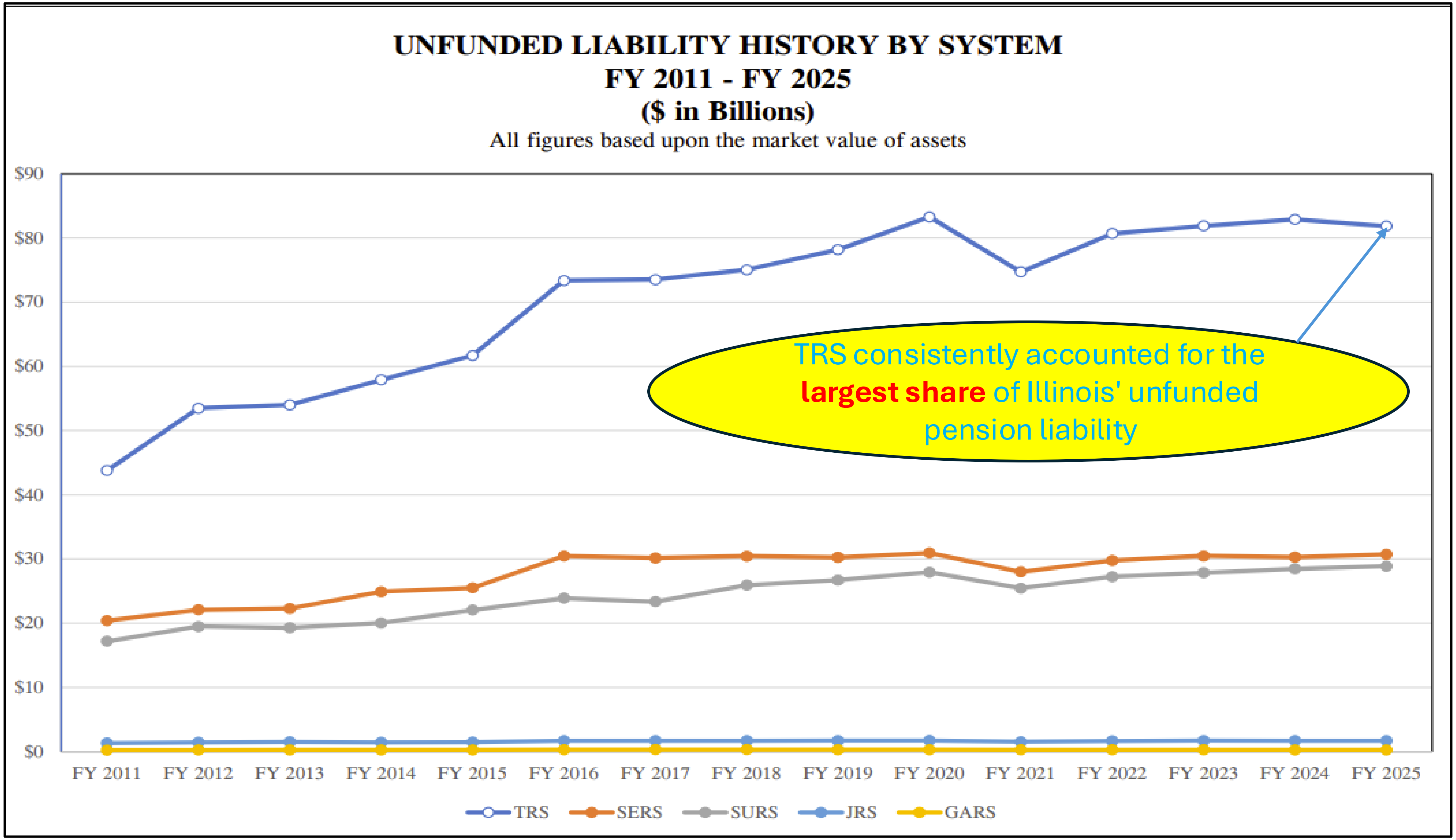


Illinois Unfunded Pension Debts accounts for **18%** of all unfunded pension debt in the nation. On average, each Illinoisan bears an estimated pension debt burden of approximately **$38,800.**

Source: Truth in Accounting, *Preliminary number

Budget Data

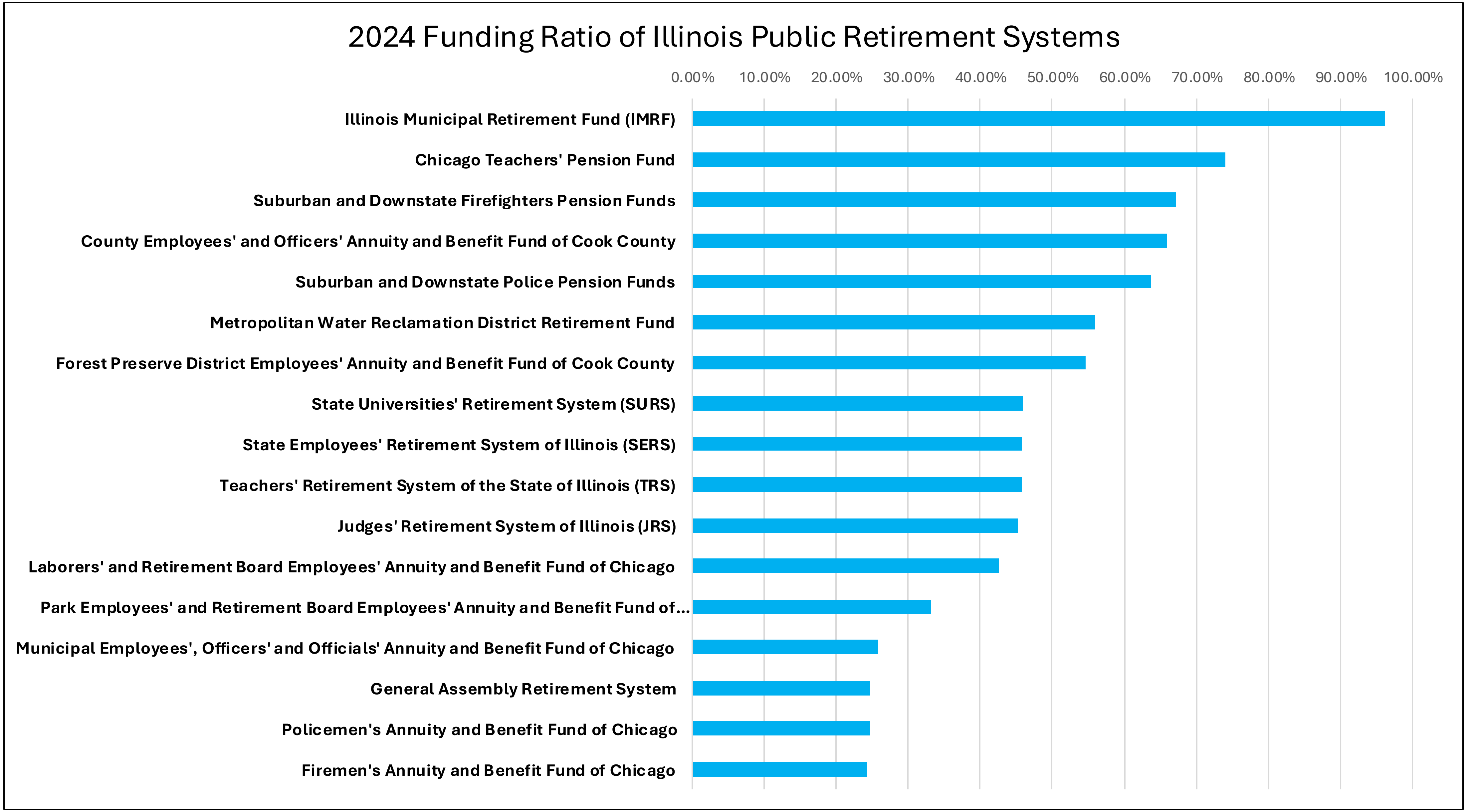
Unfunded Liability History of State-Funded Pension Systems FY 2010 – FY 2025



Source: Commission on Government Forecasting and Accountability

Budget Data

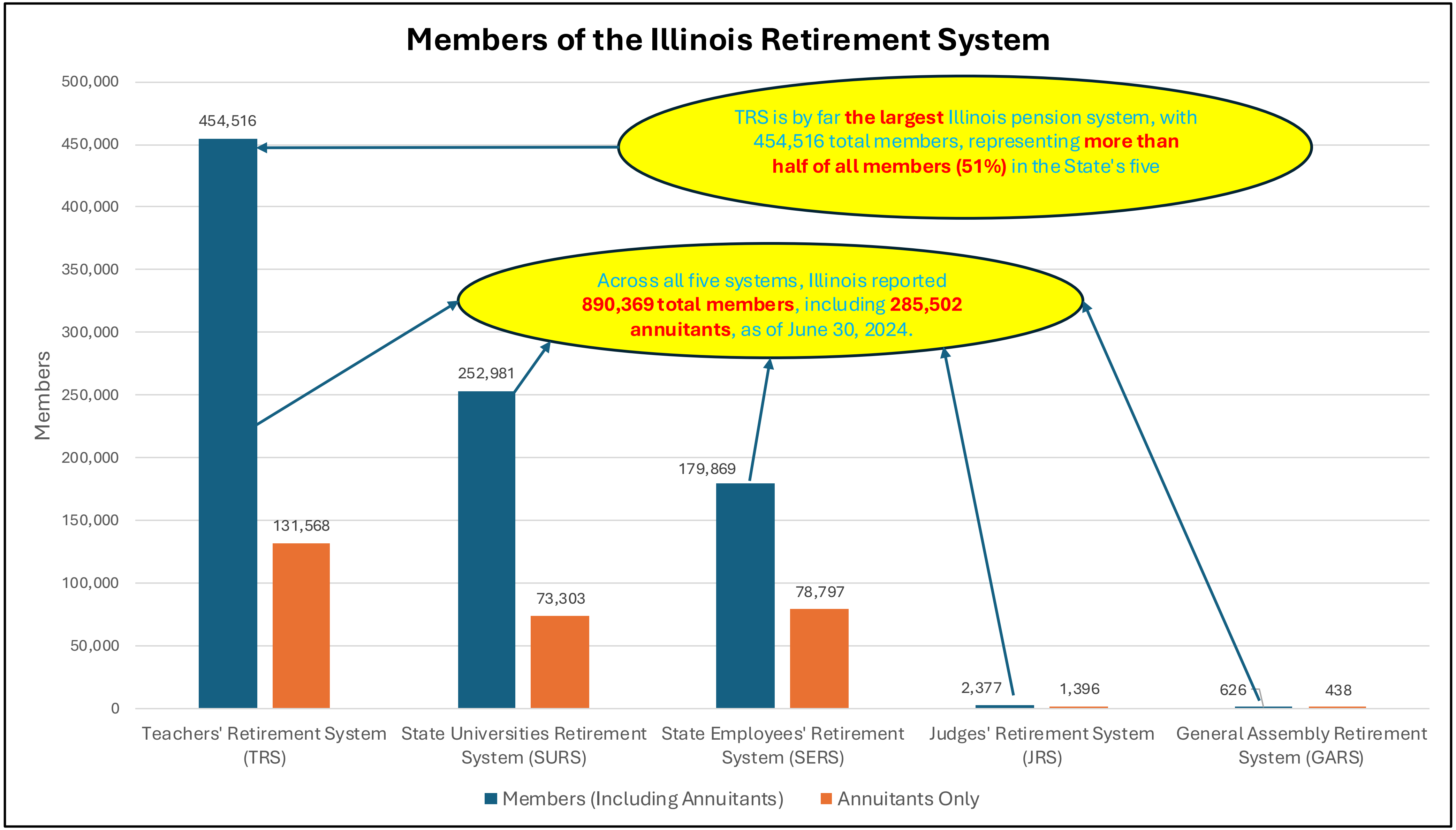
Funding Ratio of Illinois Public Retirement Systems



Source: State of Illinois, Department of Insurance Public Pension Division

Budget Data

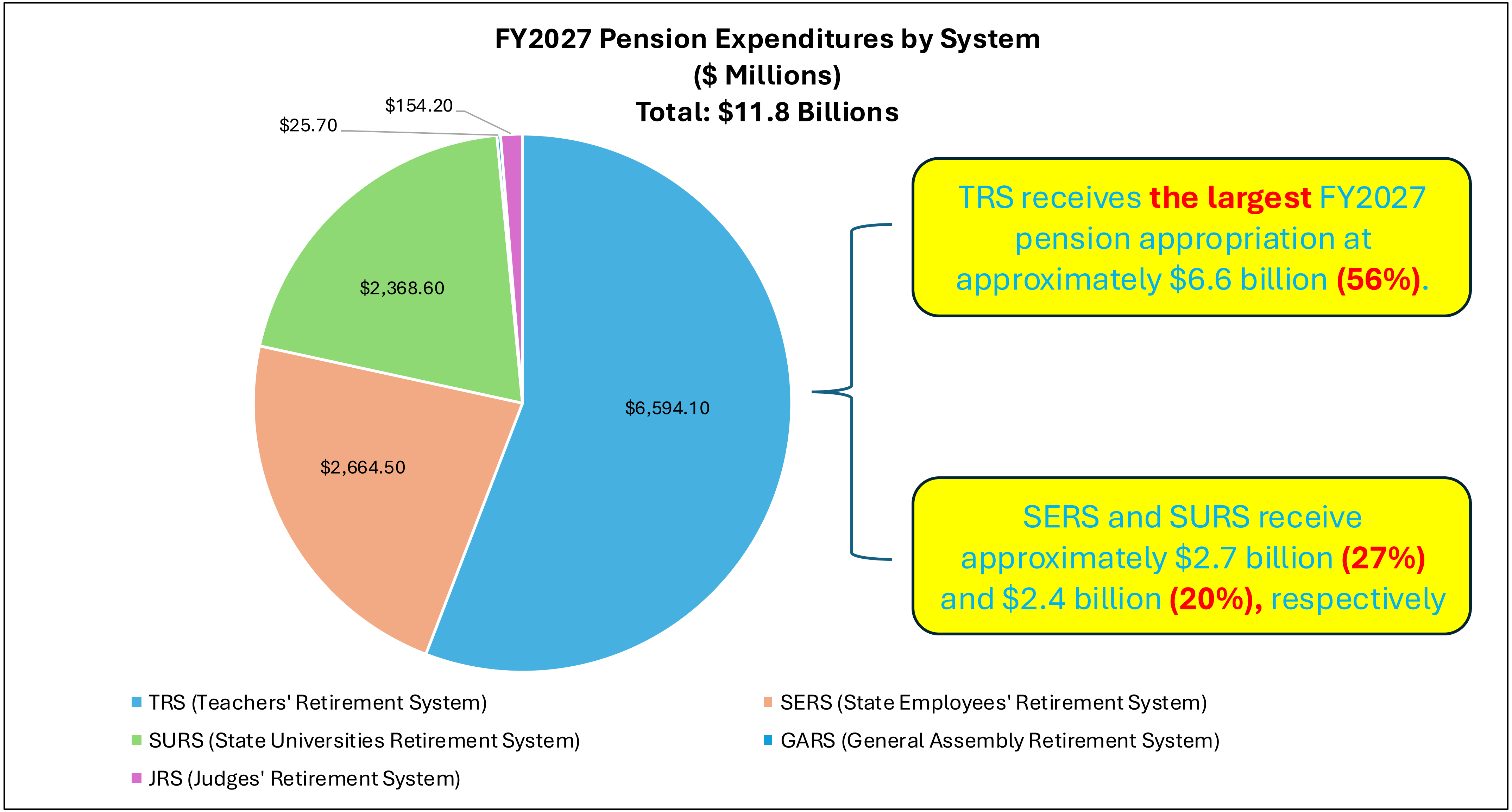
Members of the Illinois State-Run Retirement System



Source: Office of the Governor. Illinois State Budget Fiscal Year 2026

Budget Data

FY2027 Pension Expenditures by System



Source: Office of the Governor. Illinois State Budget Fiscal Year 2027

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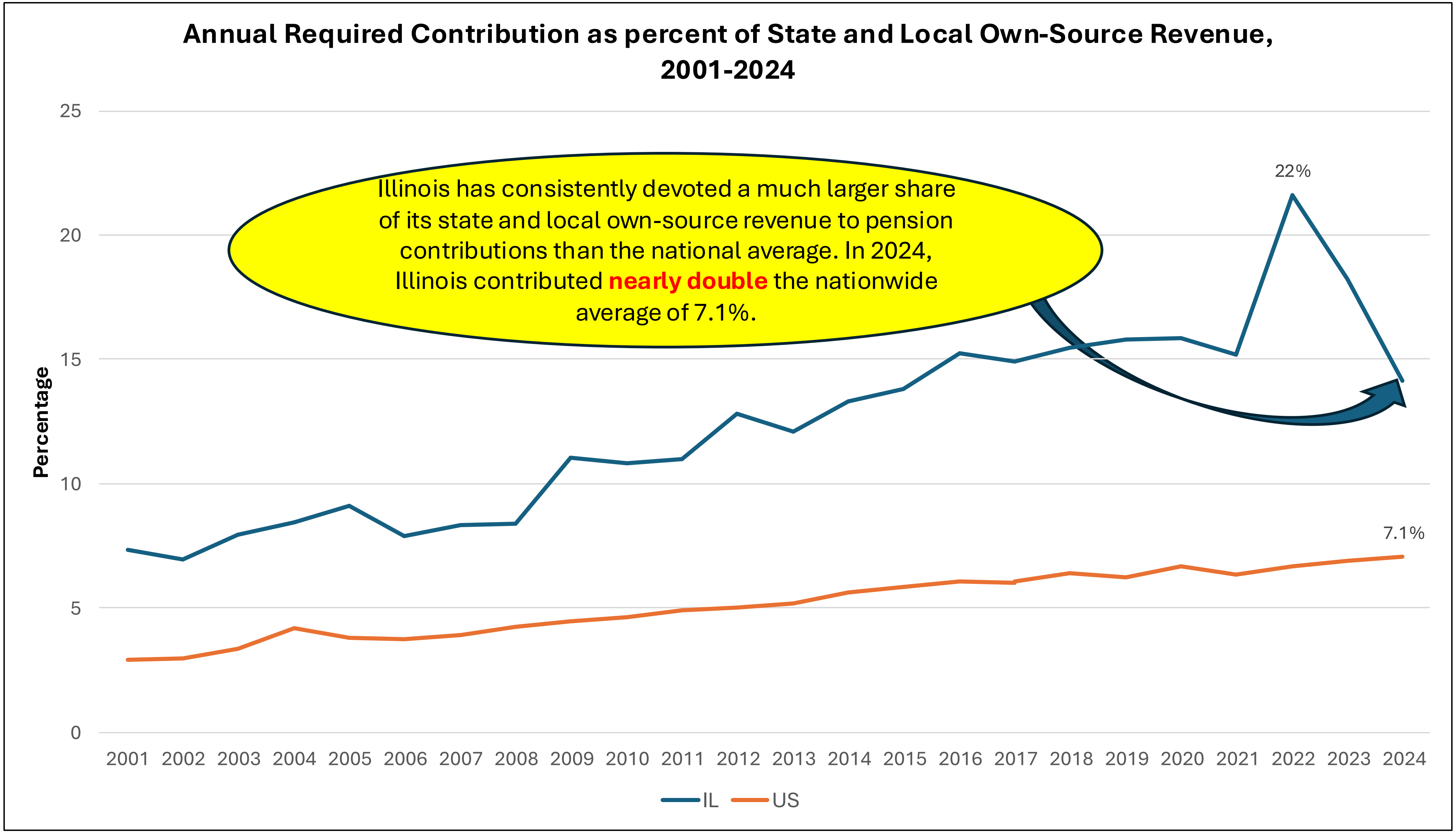
Pension System Comparison

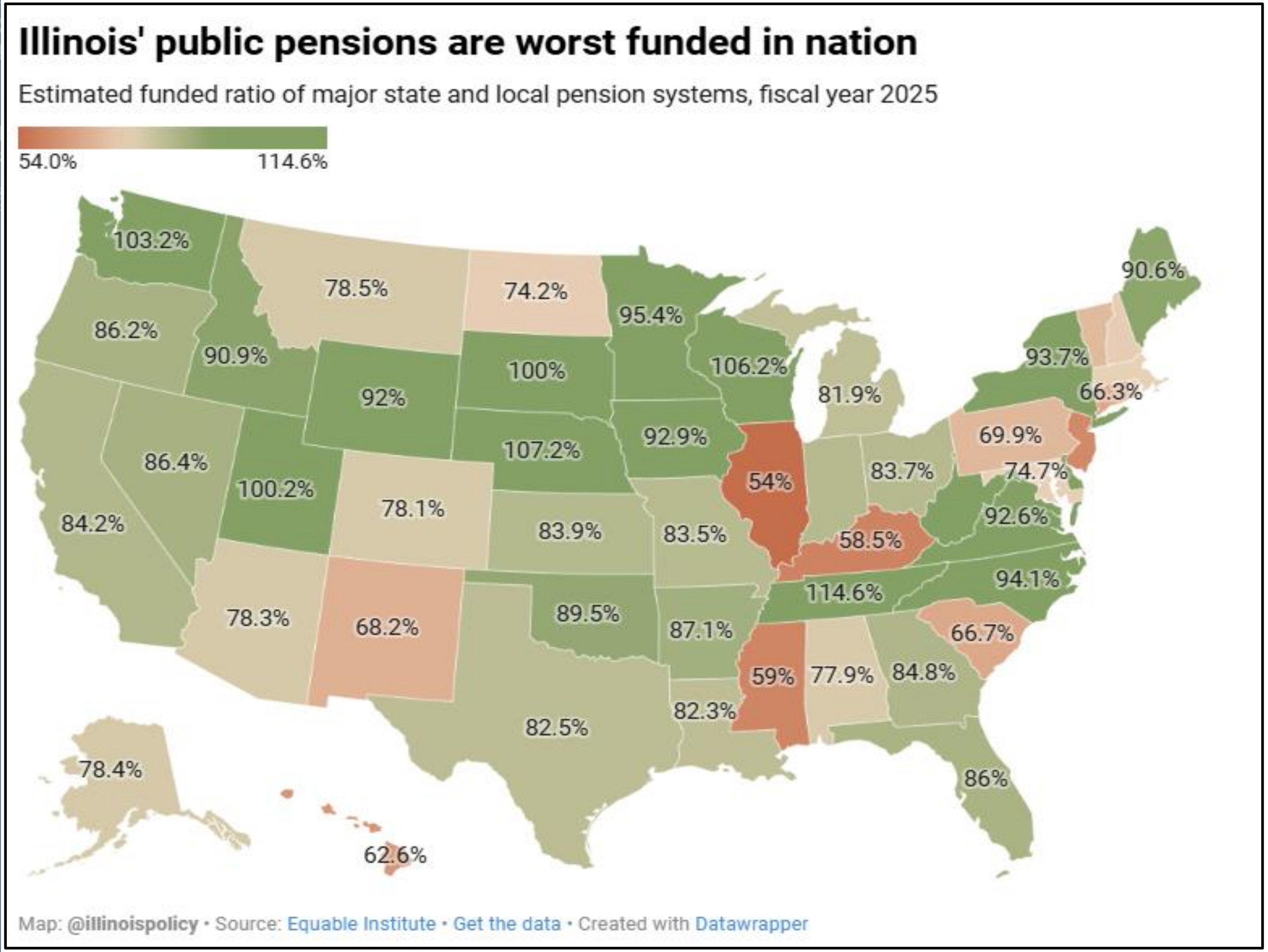
Comparison of Pension Contributions: Illinois vs. Nationwide



Source: Public Plans Database and Census of Governments

Pension System Comparison

FY2025 Funded Ratio



In FY2025, Illinois' public pension systems had a funded ratio ***of 54%,*** *the* ***lowest*** *among all U.S. states.*

Top 5 States with the Worst Public Pension Funded Ratios	
Illinois	55%
Kentucky	59%
Mississippi	59%
New Jersey	60%
Hawaii	63%

Note: This ranking includes all Illinois public pension systems, not just the State's five major retirement systems (TRS, SERS, SURS, JRS, and GARS).

Pension System Comparison

Unfunded Pension Liabilities Compared to State GDP

Illinois unfunded liabilities take up largest GDP share

State unfunded liabilities as a percentage of GDP vs funding ratios.

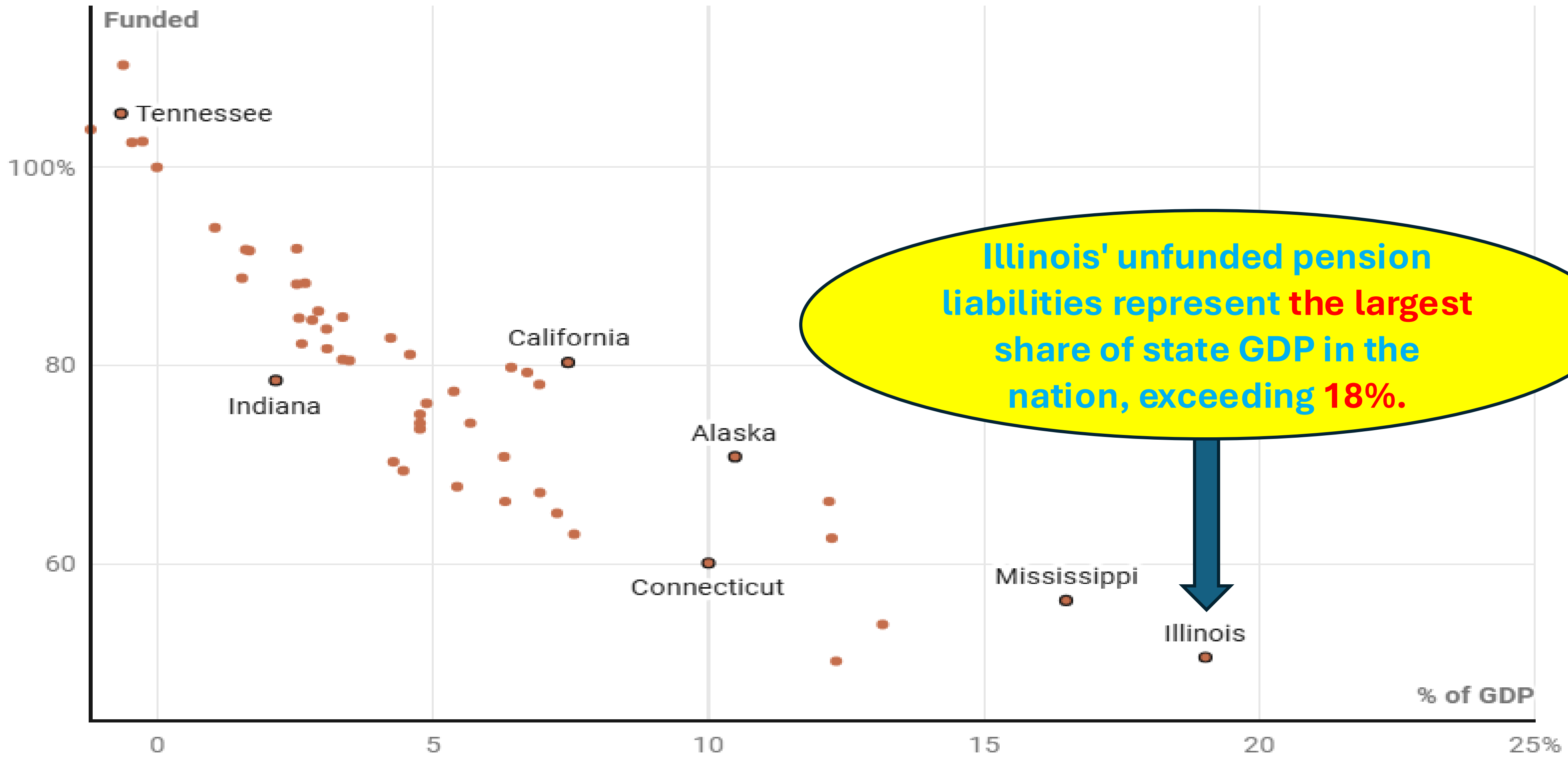


Chart: @illinoispolicy • Source: Equable Institute • Created with Datawrapper

Pension System Comparison

Worst-Funded Pension Systems

3 of Illinois' 5 state pensions rank among worst in U.S.

Ranking of 175 U.S. public pension systems by funded ratio in 2024, showing bottom 10. Three of Illinois' five statewide systems made the list.

Rank	Plan	Funded ratio
10	Missouri State Employees' Retirement System	52.0%
9	New Jersey Public Employees State, Local Divisions*	51.3%
8	New Jersey State Police Retirement System	51.1%
7	**Illinois Teachers Retirement System**	45.4%
6	**Illinois Judges Retirement System**	43.3%
5	**Illinois State Employees Retirement System**	43.3%
4	Arizona Elected Officials	42.2%
3	New Jersey Teachers	38.0%
2	Kentucky State Employees, Non-Hazardous	26.0%
1	California judges**	2.2%

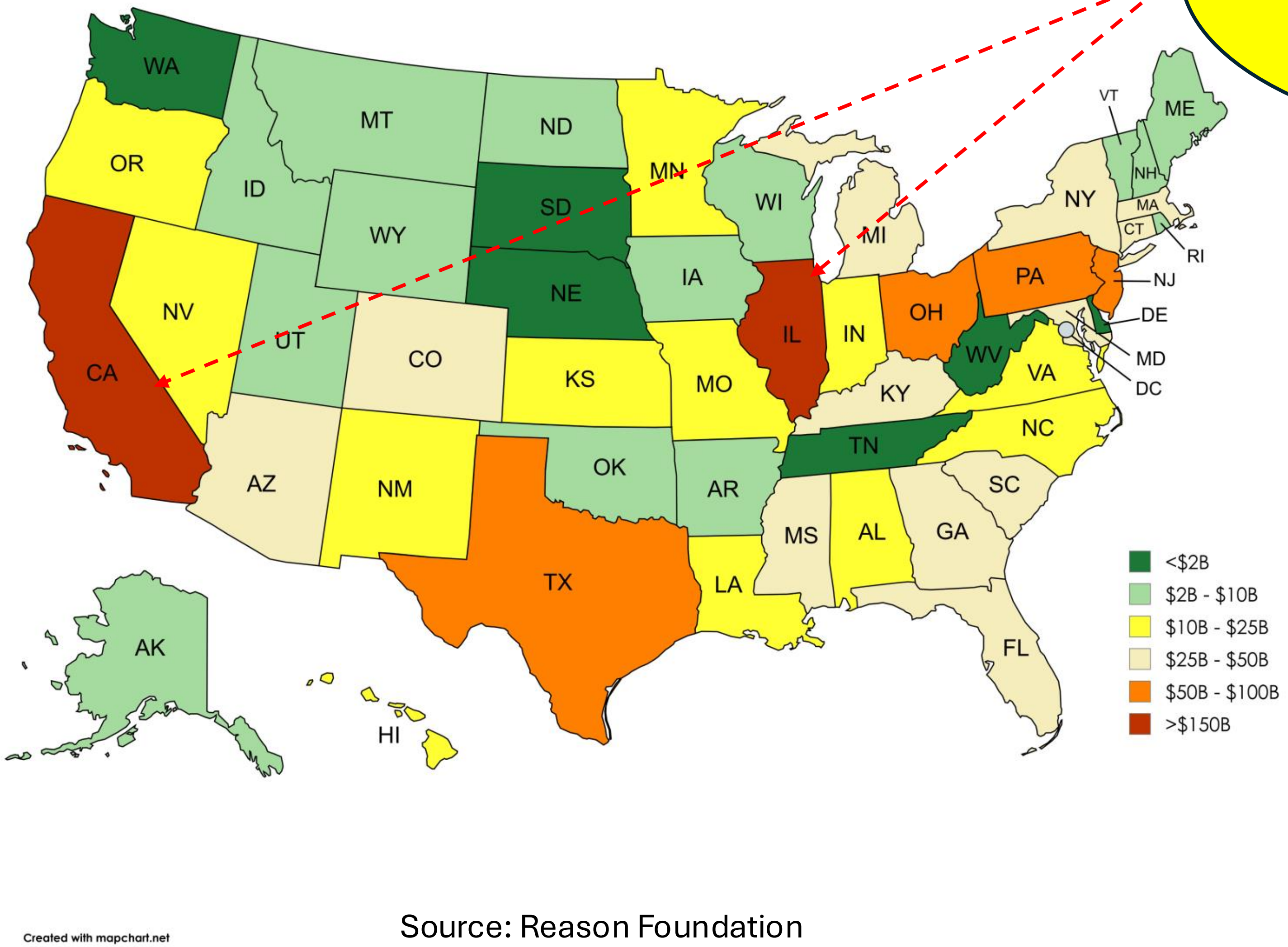
** Indicates two plans administered by the same retirement system that have been averaged to produce this figure. ** Indicates a pay-as-you-go plan that does not use traditional pre-funding methods.*

Table: @illinoispolicy • Source: Equable Institute, State of Pensions 2025 • Created with Datawrapper

TRS, SERS, and JRS all ranked among **the nation's ten worst-funded** public pension systems in 2024

Pension System Comparison

Unfunded Pension Liabilities by States



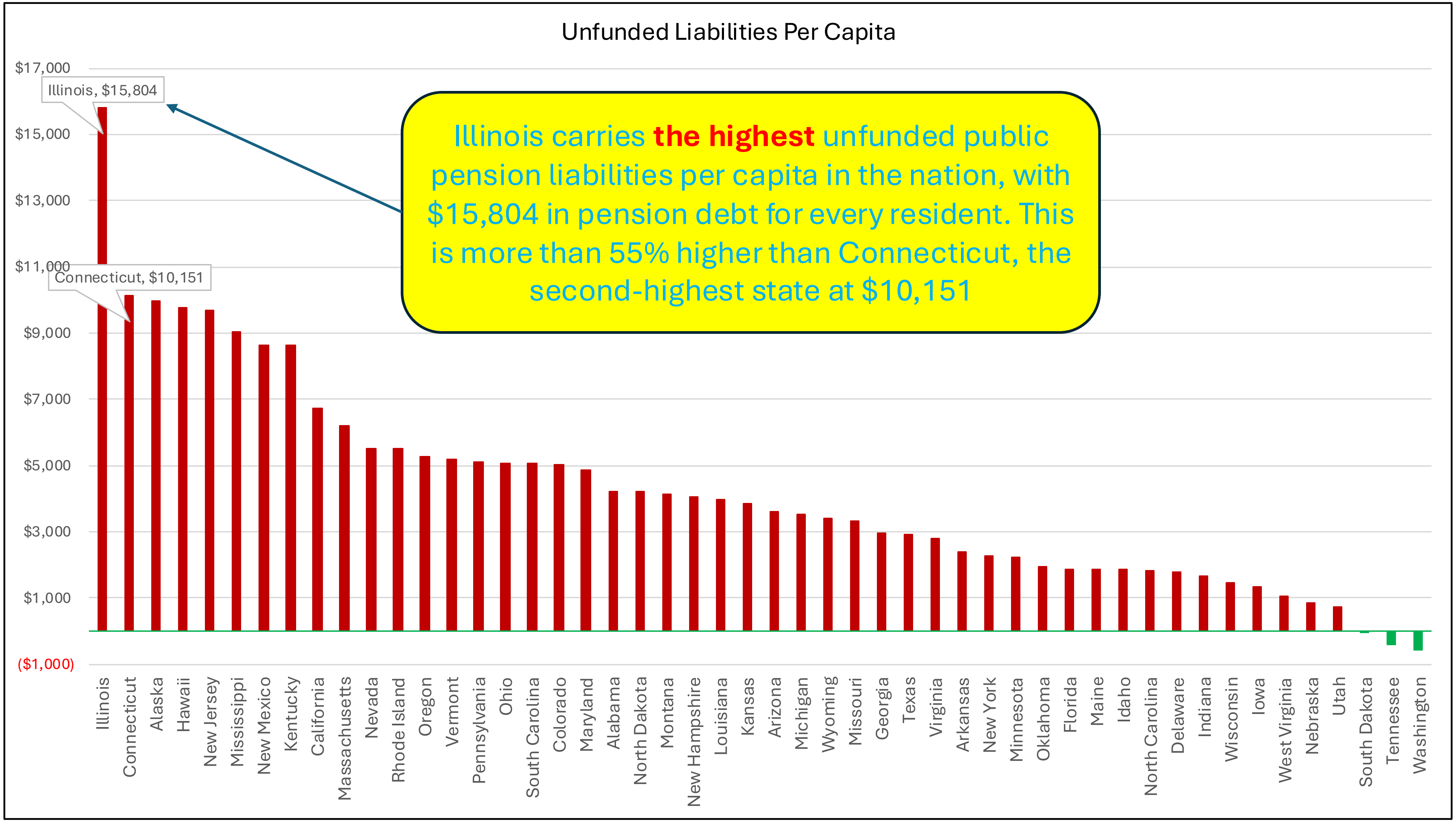
Source: Reason Foundation

***Illinois' unfunded pension liabilities reached $201 billion** in FY2024, joining California as **the only two states** with pension debt exceeding $200 billion.*

Top 5 States by Unfunded Pension Liabilities (FY2024)	
California	$265B
Illinois	$201B
New Jersey	$92B
Texas	$91B
Pennsylvania	$67B

Pension System Comparison

Unfunded Pension Liabilities Per Capita



Illinois carries **the highest** unfunded public pension liabilities per capita in the nation, with $15,804 in pension debt for every resident. This is more than 55% higher than Connecticut, the second-highest state at $10,151

Source: Reason Foundation

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Future Outlook

Fiscal 2027 Actuarial Recommendation and Appropriation

Fiscal 2027 Actuarial Recommendation and Appropriation

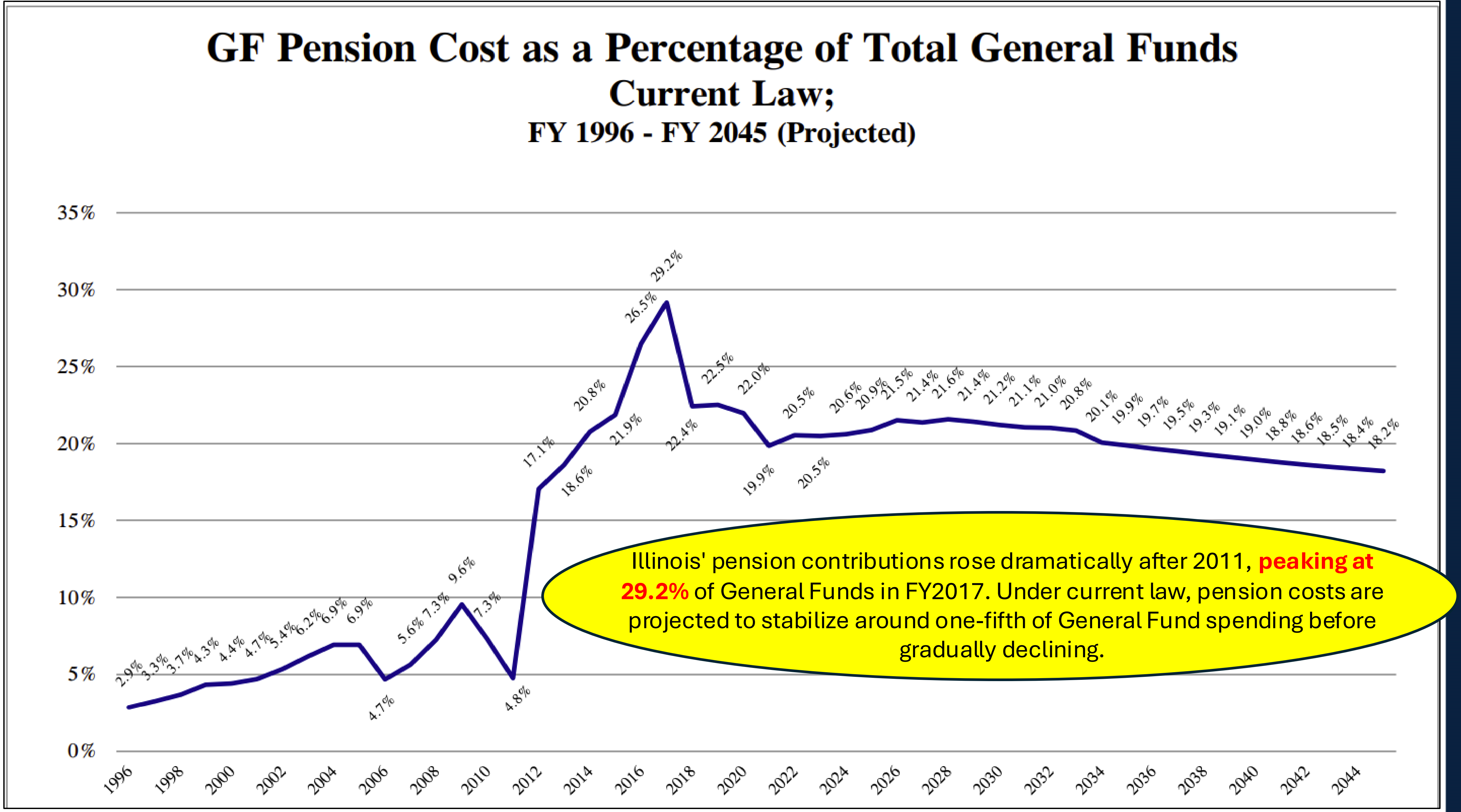
Contributions	TRS	SERS	SURS	JRS	GARS	Total
Actuarial Recommendation	$11.1B	$3.01B	$2.64B	$162.0M	$27.9M	**$17.0B**
Passed State Appropriation	$6.59B	$2.664B	$2.37B	$154.2M	$25.7M	**$11.8B**
Difference	$4.58B	$345.8M	$273.5M	$7.80M	$2.20M	**$5.21B**

Illinois' FY2027 pension appropriation was $11.80 billion, $5.21 billion below the **$17.02 billion** recommended by actuarial recommendation

Source: Illinois House Bill 111 and COGFA

Future Outlook

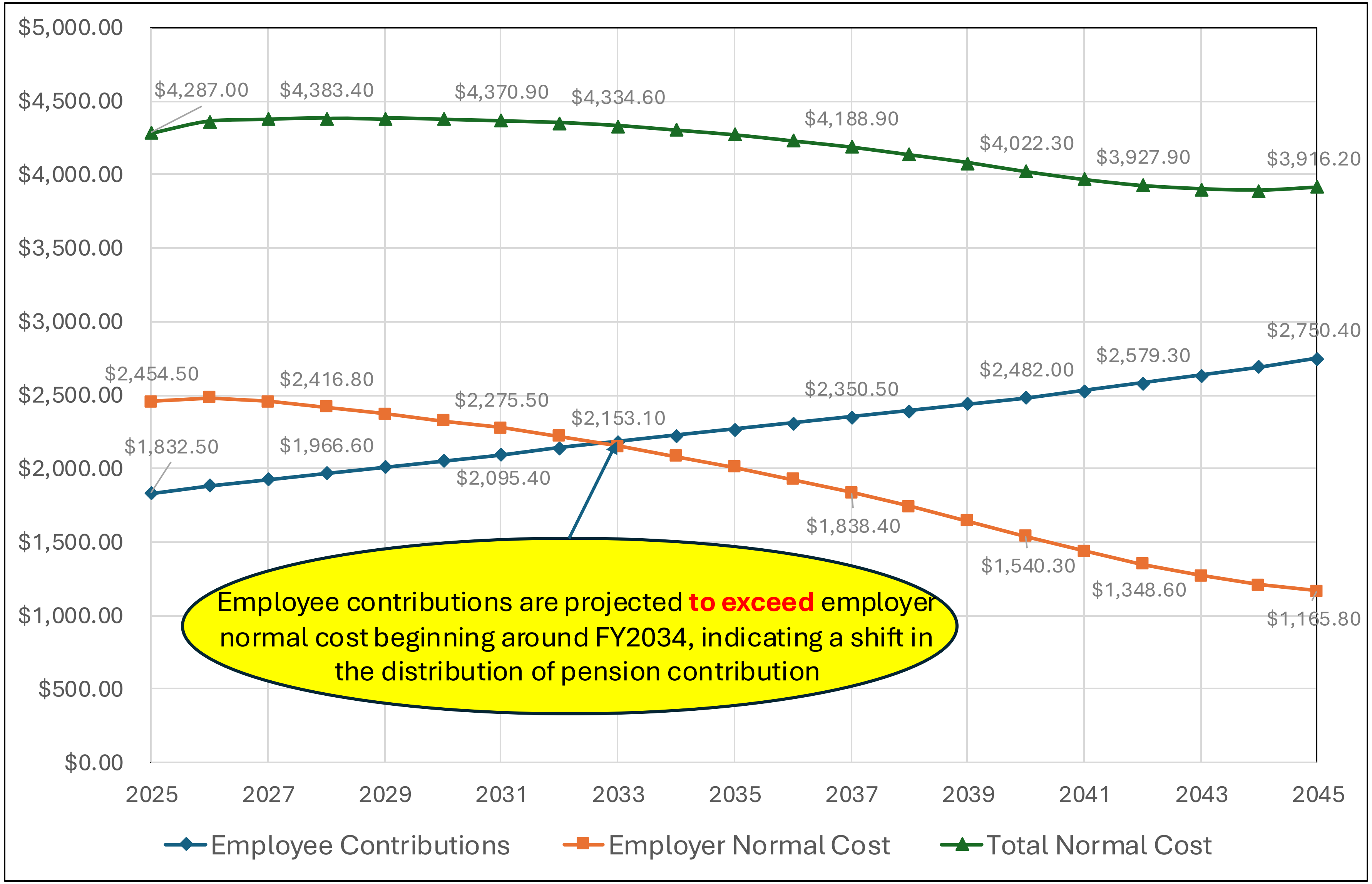
Pension Costs in General Funds Expenditures



Source: Commission on Government Forecasting and Accountability

Future Outlook

Projected Normal Costs based on Public Act 88-0593



What is normal cost?

Normal cost is the **contribution** necessary, when added to investment income, **to pay for benefits earned** each year

Source: Commission on Government Forecasting and Accountability

Future Outlook

- The Edgar ramp is a legislatively mandated funding program for Illinois' pension systems

- It requires that Illinois continually increase payments into the funds with the goal of a funding ratio of 90% by 2045

- However, keeping up with the Edgar Ramp will require significant (and increasing) financial commitments

The Edgar Ramp

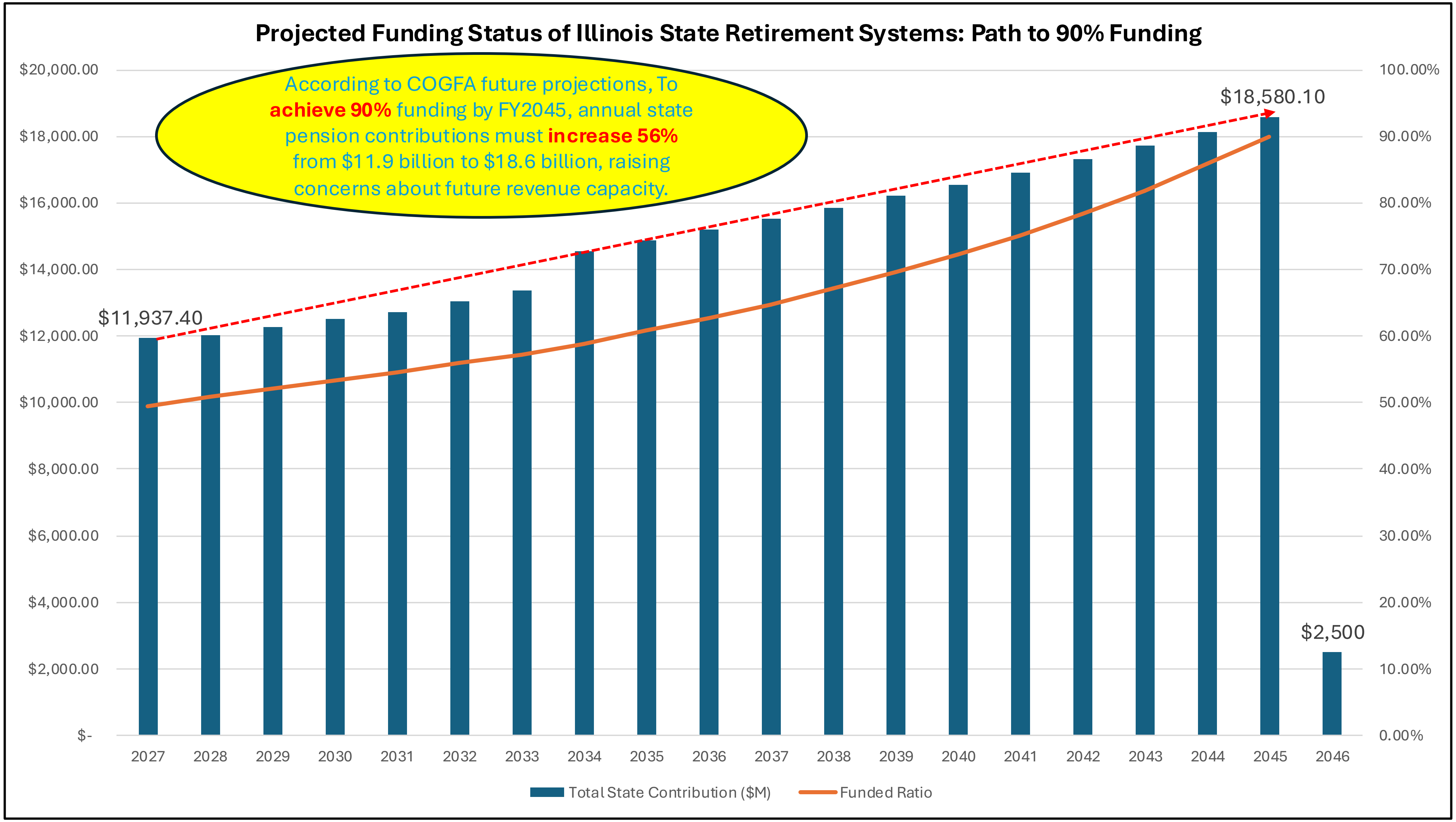
FUNDED RATIO PROJECTION

Fiscal Year Analysis

Fiscal Year	Funded Ratio
2026	48.1%
2027	49.5%
2028	50.9%
2029	52.2%
2030	53.4%
2031	54.6%
2032	55.9%
2033	57.2%
2034	58.9%
2035	60.8%
2036	62.7%
2037	64.8%
2038	67.1%
2039	69.6%
2040	72.2%
2041	75.2%
2042	78.4%
2043	81.9%
2044	85.8%
2045	90.0%

Per: COGFA

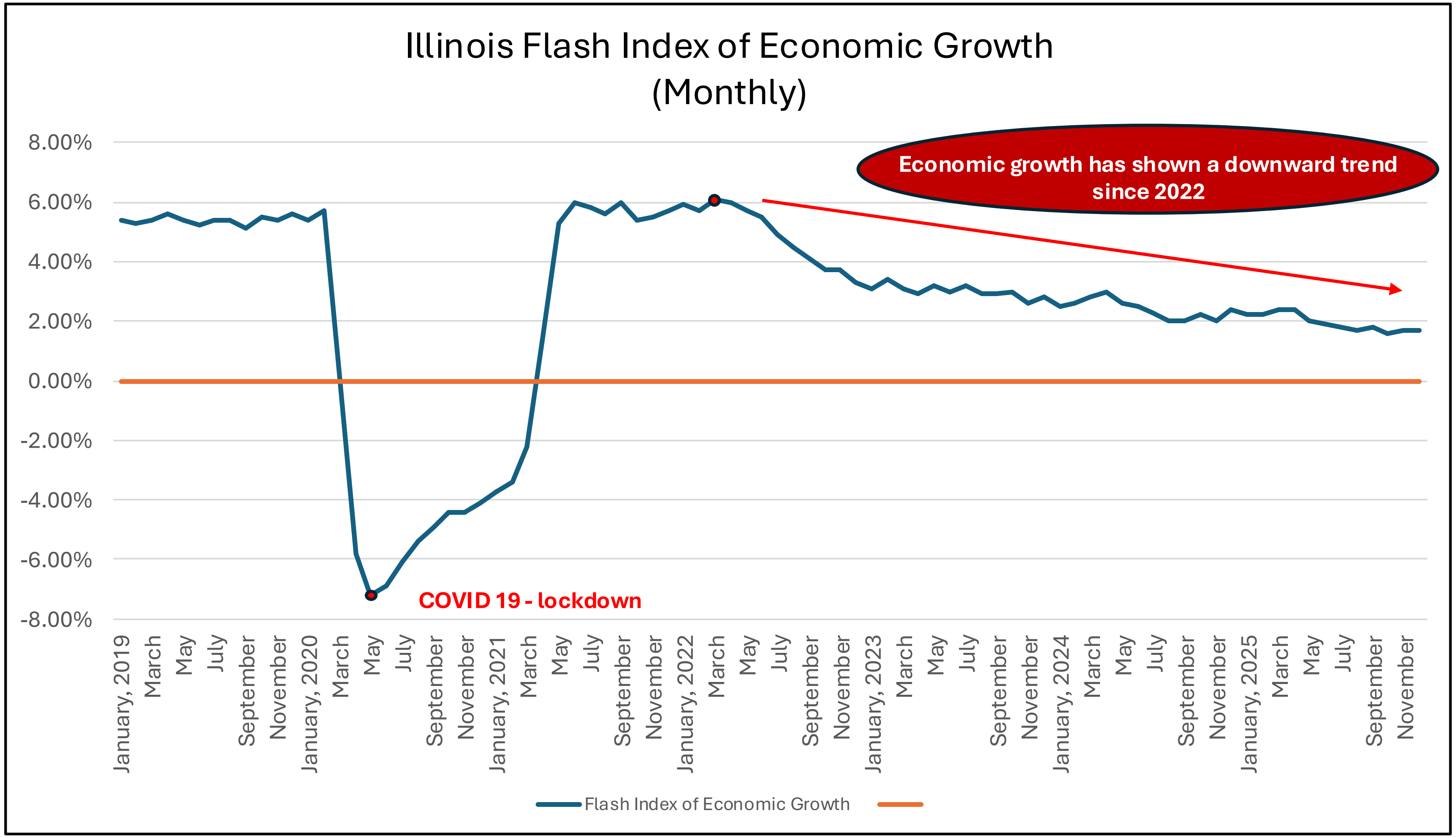
Future Outlook



Source: Commission on Government Forecasting and Accountability

Future Outlook

Flash Index of Economic Growth

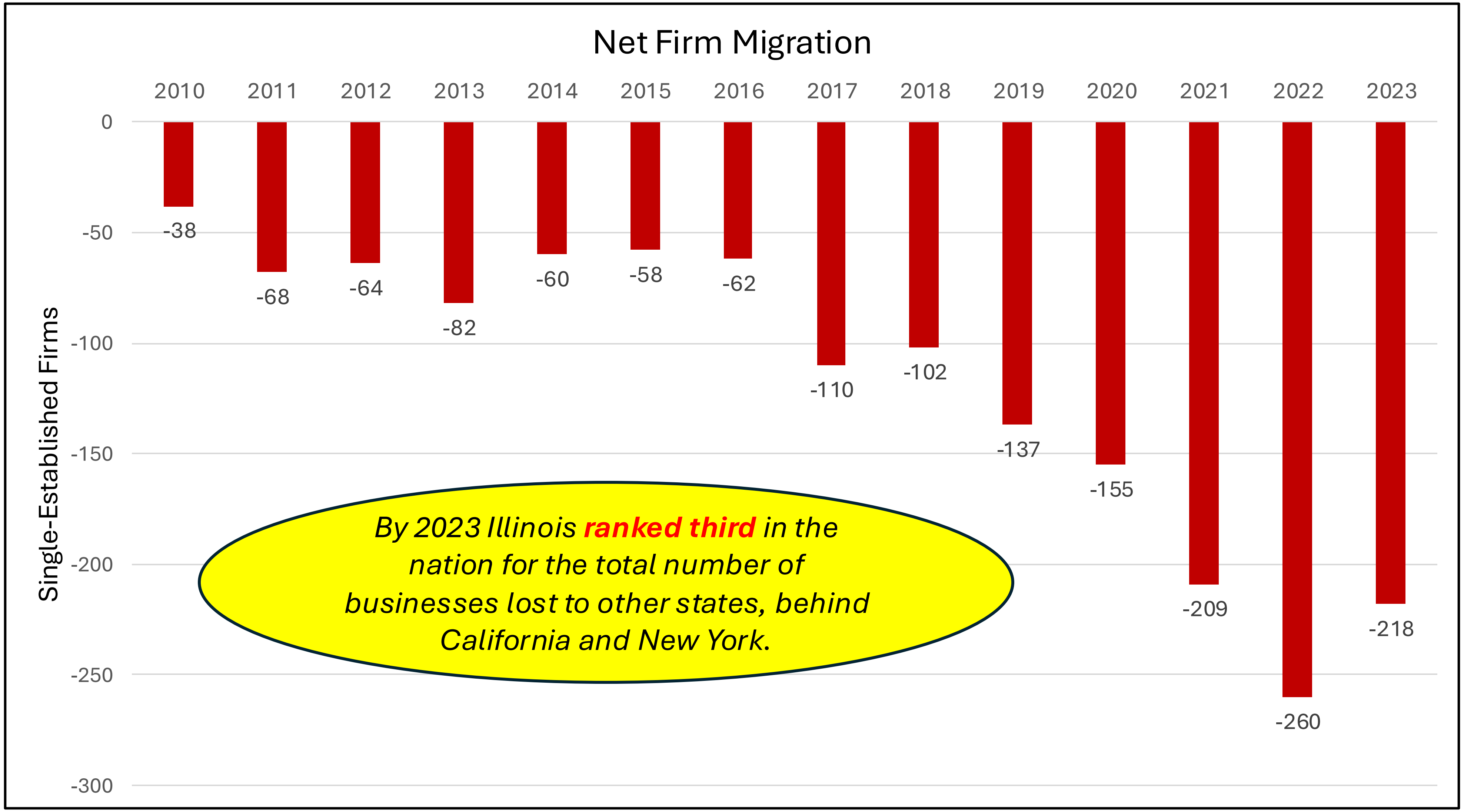


Source: University of Illinois, Institute of Government and Public Affairs. The Flash Index is calculated as a weighted average of Illinois growth rates in corporate profits, consumer spending, and personal income. Before these growth rates are measured, tax revenues from corporate income, individual income, and retail sales are first adjusted for inflation.

Future Outlook

Business Migration Trends in Illinois

The trend of businesses leaving Illinois has ***steadily increased*** *since about 2017.*



Source: U.S. Bureau of Labor Statistics

Future Outlook

2025 Illinois Job Creation Data

In 2025, Illinois lost 1,700 jobs, making it one of 16 states that experienced job losses that year. Compared to neighboring states, Illinois was the only state to record a job decline.

Industry	Change	%
Total nonfarm	**-1,700**	-0.03%
Information	4,500	4.83%
Mining, logging, construction	7,700	3.22%
Private education, health services	17,800	1.77%
Local government	8,200	1.34%
State government	500	0.33%
Transportation, utilities	900	0.26%
Other services	200	0.08%
Financial activities	-100	-0.03%
Wholesale trade	-900	-0.30%
Leisure, hospitality	-3,200	-0.52%
Professional, business services	-6,000	-0.65%
Manufacturing	-9,300	-1.62%
Retail trade	-17,600	-3.05%
Federal government	-4,400	-5.37%

Table: @illinoispolicy • Source: U.S. Bureau of Labor Statistics • Created with Datawrapper

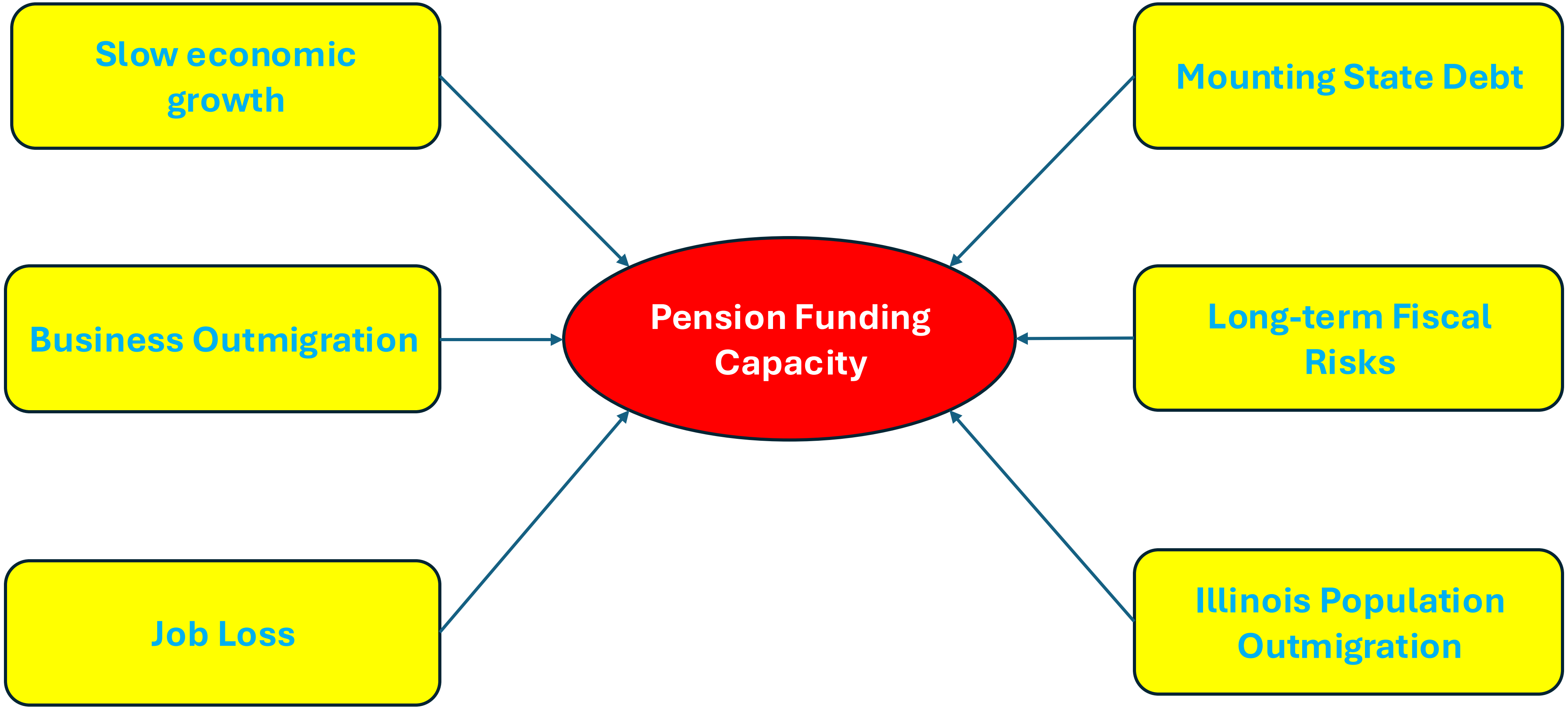
Future Outlook

Projected Demand for the Top 10 Occupations in Illinois: Regardless of Education Level

Occupation Title	2025 Job Estimated	2030s Job Estimated	5 Years Growth
General Managers	178,150	175,960	-2,190
Laborers and Material Movers	163,582	160,526	-3,056
Retail Salespersons	136,058	129,842	-6,216
Stockers and Order Fillers	132,846	130,552	-2,294
Fast Food Workers	131,101	128,557	-2,544
Cashiers	121,285	109,625	-11,660
Customer Service Representatives	111,677	104,516	-7,161
Janitors and Cleaners	102,652	99,745	-2,907
Personal Care Aides	93,870	98,494	+4,624
Waiters and Waitresses	85,379	81,892	-3,487
Total	1,256,600	1,219,709	- 36,891

*Among the 10 most in-demand occupations in Illinois in 2025, **nine are projected** to experience employment declines, while only personal care aides show growth. This results in a projected **net loss of 36,891 jobs** over five years.*

Source: The Illinois Board of Higher Education


Slow economic growth
Mounting State Debt
Business Outmigration
Pension Funding Capacity
Long-term Fiscal Risks
Job Loss
Illinois Population Outmigration

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Illinois Pension Legislation…

Bill Title	Description
HB0079	Requires annuitants receiving a sheriff's law enforcement employee annuity to be considered a participating employee if they return to work as a school security guard with a participating employer for more than 999 hours annually
HB1648	This bill clarifies that firefighter pension and disability benefits cannot be transferred or assigned, except that beneficiaries may authorize direct payments to certain fire service-related associations or for hospitalization insurance.
SB1281	This bill applies the Retirement Systems Reciprocal Act to Downstate firefighters and police who retire or receive survivor benefits on or after the effective date and choose to participate. It also makes the change a state mandate that is not subject to reimbursement.
SB2342	Requires the State Employees' Retirement System to create a defined contribution retirement plan by July 1, 2027, allowing employees to choose between it and the existing defined benefit plan. New hires would not be required to participate in the pension system
SB2826	Amends the Illinois Municipal Retirement Fund (IMRF) Article of the Illinois Pension Code. Provides that no person who has earned creditable service through employment by the Fund shall be eligible to serve as a trustee.
SB3075	Requires all five state-funded retirement systems to create defined contribution plans by July 1, 2028, allowing employees to choose between defined contribution and existing pension plans. New employees would not be required to join the pension system
SB3389	Allows Downstate Teacher pension employers to create a self-managed retirement plan as an alternative to the traditional pension, with employees able to choose between the two options. Classified as an unfunded mandate

Additional Illinois Legislation…

Bill Title	Description
SB3404	Allows public safety and municipal pension members to choose an accelerated lump sum payout in exchange for reduced future benefits, with large counties and municipalities required to offer the option and make annual contributions to support it. Effective immediately, classified as an unfunded mandate
SB3430	Allows public pension members to take an accelerated lump-sum payment in exchange for reduced future benefits, authorizes $700 million in state bonds to fund payments, and allows the state to withhold local government funds to cover bond debt service. Effective immediately

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- **Equable Institute**
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- ***Reason Foundation***
  Study: Illinois, Connecticut, Alaska, Hawaii, New Jersey and Mississippi have the most per capita pension debt
  https://reason.org/data-visualization/state-pension-debt/

- ***Illinois Policy***
  Report shows Illinois government pension crisis worst in U.S.
  https://www.illinoispolicy.org/report-shows-illinois-government-pension-crisis-worst-in-u-s

- ***Illinois Policy***
  Pensions 101: Understanding Illinois' massive, government-worker pension crisis.
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  Illinois loses 1,700 jobs in 2025 while nation adds 584,000
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THANK YOU!