SPRINGFIELD OFFICE:
ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046
FAX: 217/785-8222 • TTY: 888/261-2887

CHICAGO OFFICE:
MICHAEL A. BILANDIC BLDG. • SUITE S-900
160 NORTH LASALLE • 60601-3103
PHONE: 312/814-4000
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

SUPPLEMENTAL DIGEST TO RETIREMENT SYSTEMS' AUDITS

For the years ending June 30, 2005, and June 30, 2006

According to figures provided by the retirement systems, the cumulative unfunded actuarial accrued liability for the five State-financed retirement systems as of June 30, 2006, was $40.7 billion. The unfunded actuarial accrued liability *increased* over $2.1 billion (6%) during FY2006. By comparison, the unfunded actuarial accrued liability *increased* by $3.5 billion during FY2005, from $35.1 billion to $38.6 billion.

Unfunded Actuarial Accrued Liability and Funded Ratio *(in millions)*
For the Fiscal Years Ending June 30, 2005 and 2006

	(a)		(b)		(c)		(d)	
RETIREMENT SYSTEM	**Actuarial Accrued Liability**		**Actuarial Value of Assets**		**Unfunded Actuarial Accrued Liability** [col. (a) - col. (b)]		**Funded Ratio** [col. (b)/(a)]	
	2005	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**
Teachers'	$ 56,075	$ 58,997	$ 34,085	$ 36,585	$ 21,990	$ 22,412	60.8%	62.0%
State Universities	20,350	21,689	13,350	14,175	7,000	7,514	65.6%	65.4%
State Employees'	19,305	20,875	10,494	10,900	8,811	9,975	54.4%	52.2%
Judges'	1,237	1,291	565	599	672	692	45.7%	46.4%
General Assembly	213	222	83	82	130	140	39.1%	37.1%
TOTAL	**$ 97,180**	**$ 103,074**	**$ 58,577**	**$ 62,341**	**$ 38,603**	**$ 40,733**	**60.3%**	**60.5%**

TIMELINE OF SIGNIFICANT CHANGES TO PENSION LAWS

Effective Date	*Public Act Number/Summary of Change*
August 22, 1994	P.A. 88-0593 Created a 50-year funding plan designed to increase pension funding incrementally until a 90% funding level is achieved; established continuing appropriation mechanism for payment of State contributions.
June 25, 2002	P.A. 92-0566 Provided an early retirement incentive (ERI) for SERS participants retiring before 12/31/02 (4/30/03 in some cases).
April 7, 2003	P.A. 93-0002 Authorized the State to issue $10 billion in general obligations bonds; bonds were issued 6/12/03; $2.7 billion of the proceeds were used to pay part of FY2003 and all of FY2004 State contributions, bond issuance costs and first year's interest on the bonds; balance of $7.3 billion allocated to retirement systems; FY2004-2007 debt service is interest only; principal payments on bonds begin in FY2008. Commencing FY2005, the maximum State contribution to the systems equals the contribution that would have been required under the 50-year funding plan (P.A. 88-0593), if the general obligation bond contribution had not been made, reduced – but not below zero – by the State's debt service on the pension bonds.

(continued)

July 30, 2004 — P.A. 93-0839
Changed the measurement and calculation of liabilities due to the ERI (see P.A. 92-0566); funding spread over a 12-year period; FY2004 and FY2005 payments to SERS fixed at $70 million; allowed SERS to collect $134.1 million for debt service from employer contributions during FY2005; suspended payments from State Pension Fund to SERS in the amount of $18.7 million for FY2005.

June 1, 2005 — P.A. 94-0004
Suspended payments required under P.A. 88-0593 for FY2006 and FY2007. Instead, fixed specific amounts for FY2006 and FY2007 contributions to retirement systems; ramps up contributions in FY2008 through FY2010 so that, by FY2011, contributions will be at an amount sufficient to meet 90% funding level specified in P.A. 88-0593 by FY2045; beginning in FY2008, changes funding mechanism for ERI (eliminates 12-year funding mechanism provided in P.A. 93-0839).

Appropriations and Debt Service Payments for Pensions *(in millions)*

Retirement System Appropriations	FY 2005		FY 2006		FY 2007 (1)		FY 2008 (1)	
	Decrease from previous year	Total Continuing Appropriation & Debt Service	Decrease from previous year	Total Appropriation & Debt Service	Increase from previous year	Required State Contribution & Debt Service	Increase from previous year	Required State Contribution & Debt Service
Teachers'(2)	$ (124.8)	$ 906.7(3)	$ (372.1)	$ 534.6	$ 203.4	$ 738.0(6)	$ 303.3	$ 1,041.3
State Universities	(41.7)	270.0	(103.4)	166.6	85.5	252.1(6)	88.2	340.3
State Employees'	(51.4)	427.4(4)	(216.9)	210.5	133.7	344.2(6)	201.8	546.0
Judges'	(4.5)	32.0	(2.8)	29.2	6.0	35.2(6)	11.7	46.9
General Assembly	(1.1)	4.7	(0.5)	4.2	1.0	5.2(6)	1.6	6.8
Subtotal	**$ (223.5)**	**$ 1,640.8**	**$ (695.7)**	**$ 945.1**	**$ 429.6**	**$ 1,374.7**	**$ 606.6**	**$ 1,981.3**
Debt Service Payments General Obligation Bonds – Pension Funding Series, June 2003.	$ 15.2	$ 496.2	$ 0.0	$ 496.2	$ 0.0	$ 496.2(5)	$ 50.0	$ 546.2(5)
TOTAL	**$ (208.3)**	**$2,137.0**	**$ (695.7)**	**$1,441.3**	**$ 429.6**	**$1,870.9**	**$ 656.6**	**$2,527.5**

Notes: (1)Unaudited.
(2)Includes General Revenue Fund reimbursements appropriated for minimum benefits paid under 40 ILCS 5/16-186.3 that are not part of the continuing appropriation.
(3)Includes $1.7 million that was required per Public Act 92-0566 for funding of Early Retirement Incentive (ERI).
(4)Includes $70.0 million for funding of Early Retirement Incentive.
(5)Unaudited, scheduled debt service payments in FY 2007 – interest only. The first principal payment ($50 million) will be made in FY2008.
(6)Required State contribution per Public Act 94-0004.

State Required Contributions and Debt Service for the Years Ended June 30, *(in millions)*
(unaudited)

▼ Retirement System	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Teachers'	$ 738.0	$ 1,041.3	$ 1,389.4	$ 1,759.7	$ 1,830.5
State Universities	252.1	340.3	472.9	606.2	633.9
State Employees'	344.2	546.0	770.0	1,010.0	1,052.0
Judges'	35.2	46.9	59.9	73.9	76.6
General Assembly	5.2	6.8	8.6	10.4	10.8
Subtotal	**$ 1,374.7**	**$ 1,981.3**	**$ 2,700.8**	**$ 3,460.2**	**$ 3,603.8**
Debt Service	$ 496.2	$ 546.2	$ 545.0	$ 543.6	$ 541.9
TOTAL	**$1,870.9**	**$2,527.5**	**$3,245.8**	**$4,003.8**	**$4,145.7**

Source: Information derived from June 30, 2006 actuarial valuations provided by each retirement system.