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Every Illinoisan Owes $11,000 for Pensions With No Fix in Sight.

- **Three years after court threw out reform, no progress made**
- **State's five retirement funds are short $137 billion**

Three years ago today, the Illinois Supreme Court struck down the state's attempt to cut its employees' pension benefits to chip away at a retirement-system debt that's swelled to almost $11,000 for every man, woman and child.

Since then, Illinois's credit rating was downgraded to the verge of junk, its bonds have tumbled and its largest city — Chicago — was stripped of its investment-grade status by Moody's Investors Service. And Republican Governor Bruce Rauner and the Democrat-led legislature have made no real progress toward a new plan that doesn't violate the state constitution's ban on reducing benefits.

"Illinois failure to address its pension crisis has resulted in further deterioration of the state and cities' financial condition, exorbitantly high borrowing costs, and an inability to address other critical needs at the state and local level," said Laurence Msall, president of the Civic Federation, a Chicago nonprofit that tracks state and municipal finances. "Time is not your friend when your liabilities are compounding and your revenues are not."

The funding shortfall across Illinois's five retirement systems climbed to $137 billion by last June, a jump of about $17.8 billion since 2015, after the government for years failed to made adequate contributions. That pension deficit — more than four times larger that its debt to general-obligation bondholders — is adding hundreds of millions of dollars in costs to Illinois's budget each year as the government plows more money in to catch up.

Illinois has been contending with the issue for decades. In 1994, Illinois passed a law that was supposed to ensure that the state had enough assets to cover 90 percent of its liabilities by 2045, though it went on to skip annual payments or fail to contribute enough. At the same time, investment returns were hammered by last decade's stock-market busts.

"There hasn't been any progress made," Dick Ingram, executive director of the Illinois Teachers' Retirement System, the state's largest pension. "It's a case of the numbers have gotten so big that nobody honestly really knows what to do."

Even as the state is set to pay $8.5 billion to the five retirement systems in 2019, it's still not enough. Unfunded liabilities keep growing. And the 2019 contribution is more than three times the state's payment a decade earlier: Illinois paid $2.8 billion to pensions in 2009. By 2045, the projected contribution will be $19.6 billion, according to a March report, based on actuarial valuations.

Illinois has actually made the problem worse since its highest court's ruling in 2015. In the past, if a pension fund's assumed rate of investment return got lowered, the state would step up its contribution. But last year lawmakers approved so-called smoothing, allowing the state to phase in hundreds of millions of dollars of those increased contributions. It helped the state ease its budget shortfall temporarily but will be costly over the longer term.

The longer the state doesn't address the pension crisis, the closer Illinois gets to taxes that are overly burdensome, to credit downgrades, to not paying pensions or even bond defaults, said Richard Ciccarone, president of Merritt Research Services.

Everyone wants to find a "silver bullet," said Illinois Representative Robert Martwick, chair of the personnel and pensions committee. But he's exploring any way to save money. He's held hearings on everything from reducing the debt by selling more than $100 billion of pension-obligation bonds to consolidating downstate police and fire pension funds to save money. The state cannot grow its way out of this problem, Martwick said.

"We're in some really, really difficult financial times here," Martwick said in a phone interview. "We're still digging a hole for ourselves."

Rauner supports the so-called "consideration model," which in part allows state employees to choose lower, delayed cost-of-living adjustments in return for ensuring their future raises count toward pensions. Opponents argue this still violates the ban on lowering benefits. "We need more pressure on the General Assembly," Rachel Bold, a spokeswoman for Rauner, said in an email.

In 2013, lawmakers tried to enact a solution, approving cuts to cost-of living adjustments and a higher retirement age for some workers. The measure was estimated to save more than $100 billion over 30 years. But the court struck down the law unanimously, saying it violated the state constitution's ban on reducing retirement benefits.

In the wake of the court ruling, unions have been emboldened, according to Jeff Johnson, president of the Municipal Employees' Annuity and Benefit Fund of Chicago. He says members even quote the court decision to him, noting their benefits are protected. Johnson's own Twitter page includes a screenshot of one of the most famous lines.

"Crisis is not an excuse to abandon the rule of law," the May 8, 2015 state supreme court decision reads.

Apparently crisis isn't enough reason for the government to take action either. At least not in Illinois.

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